

HEARING ON THE SMALL BUSINESS ADMINISTRATION'S MICROLOAN DEMONSTRATION PROGRAM AND BUSINESS DEVELOPMENT PROGRAMS

Y 4. SM 1/2: S. HRG. 103-598

Hearing on the Small Business Admin... ING

BEFORE THE

COMMITTEE ON SMALL BUSINESS  
UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

HEARING ON THE SMALL BUSINESS ADMINISTRATION'S MICROLOAN  
DEMONSTRATION PROGRAM AND BUSINESS DEVELOPMENT PROGRAMS

MARCH 17, 1994



SEP 19 1994

Printed for the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE

80-445MC

WASHINGTON : 1994

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-044763-1



# HEARING ON THE SMALL BUSINESS ADMINISTRATION'S MICROLOAN DEMONSTRATION PROGRAM AND BUSINESS DEVELOPMENT PROGRAMS

Y 4. SM 1/2: S. HRG. 103-598

Hearing on the Small Business Admin... ING

BEFORE THE

COMMITTEE ON SMALL BUSINESS  
UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

HEARING ON THE SMALL BUSINESS ADMINISTRATION'S MICROLOAN  
DEMONSTRATION PROGRAM AND BUSINESS DEVELOPMENT PROGRAMS

MARCH 17, 1994



SEP 19 1994

Printed for the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE

80-445MC

WASHINGTON : 1994

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-044763-1

## COMMITTEE ON SMALL BUSINESS

DALE BUMPERS, of Arkansas, *Chairman*

SAM NUNN, of Georgia  
CARL LEVIN, of Michigan  
TOM HARKIN, of Iowa  
JOHN F. KERRY, of Massachusetts  
JOSEPH I. LIEBERMAN, of Connecticut  
PAUL DAVID WELLSTONE, of Minnesota  
HARRIS WOFFORD, of Pennsylvania  
HOWELL HEFLIN, of Alabama  
FRANK R. LAUTENBERG, of New Jersey  
HERB KOHL, of Wisconsin  
CAROL MOSELEY-BRAUN, of Illinois

LARRY PRESSLER, of South Dakota  
MALCOLM WALLOP, Wyoming  
CHRISTOPHER S. BOND, Missouri  
CONRAD BURNS, Montana  
CONNIE MACK, Florida  
PAUL COVERDELL, of Georgia  
DIRK KEMPTHORNE, of Idaho  
ROBERT F. BENNETT, of Utah  
JOHN H. CHAFEE, of Rhode Island  
KAY BAILEY HUTCHISON, of Texas

JOHN W. BALL III, *Staff Director*  
THOMAS G. HOHENTHANER, *Minority Staff Director*



# C O N T E N T S

---

	Page
<b>Statements of Senators:</b>	
Bumpers, Hon. Dale, a U.S. Senator from the State of Arkansas, prepared statement .....	1
Kempthorne, Hon. Dirk, a U.S. Senator from the State of Idaho .....	4
Wellstone, Hon. Paul D., a U.S. Senator from the State of Minnesota, prepared statement .....	5
Burns, Hon. Conrad, a U.S. Senator from the State of Montana, prepared statement .....	25
Lautenberg, Hon. Frank R., a U.S. Senator from the State of New Jersey	14
Pressler, Hon. Larry, a U.S. Senator from the State of South Dakota, prepared statement .....	107
<b>Statements of:</b>	
Pulley, Cassandra, deputy administrator, Small Business Administration	15
Evans, Connie, executive director, Women's Self-Employment Project, Chicago, IL .....	60
Golden, Ellen, senior program officer, Coastal Enterprises, Inc., Wiscasset, ME .....	69
Singerman, Phillip, president and chief executive officer, The Ben Franklin Technology Center, Philadelphia, PA; accompanied by Beverly Harper, president, Portfolio Associates, Inc. ....	84
Gudmestad, Kay, president, WomenVenture, St. Paul, MN .....	100
Kemp, Robert A., C.P.M., professor of management and international business, Drake University, immediate past-president, Small Business Institutes Directors' Association, Des Moines, IA .....	117
Bradley, Don B. III, Ph.D., professor of marketing, University of Central Arkansas, and executive director, Small Business Advancement National Center, Conway, AR .....	130
Higgins, Gregory, Jr., state director, Pennsylvania Small Business Development Center, and president-elect, Association of Small Business Development Centers, Philadelphia, PA .....	205
Yancey, W. Kenneth, executive director, Service Corps of Retired Executives Association, Washington, DC .....	258
<b>ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD</b>	
<b>Responses to questions submitted by the Senate Small Business Committee for the record:</b>	
Connie Evans, Women's Self-Employment Project .....	113
Ellen F. Golden, Coastal Enterprises Inc. ....	114
Kay Gudmestad, WomenVenture .....	116
Robert A. Kemp, Drake University .....	265
Gregory Higgins, Jr., Pennsylvania Small Business Development Center .	269
Kenneth W. Yancey, Service Corps of Retired Executives Association .....	279
<b>Letters to Senator Bumpers for the record:</b>	
Roderick A. Forsgren, University of Maine .....	283
Henry L. Crouch, Terry L. Mendenhall, and Tom Payne of Pittsburg State University .....	284
Lois Thom, Nebraska Business Development Center .....	285
Nancy G. Dodd, Montana State University .....	286
William M. Metheny, Eastern Montana College .....	288
David A. Yingling, Shippensburg University .....	289
John R. Kerr, Florida State University .....	290
Donald M. Clause, University of West Florida .....	292

IV

	Page
Letters to Senator Bumpers for the record—Continued	
Steven J. Anderson, Austin Peay State University .....	294
Jeanette A. Davy, Wright State University .....	295
A. Gale Sullenberger, Bradley University .....	296

HEARING DATE

March 17, 1994:	
Afternoon session .....	1

# HEARING ON THE SMALL BUSINESS ADMINISTRATION'S MICROLOAN DEMONSTRATION PROGRAM AND BUSINESS DEVELOPMENT PROGRAMS

THURSDAY, MARCH 17, 1994

U.S. SENATE,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 2:35 p.m. in room SR-428A, Russell Senate Office Building, Hon. Dale Bumpers, Chairman of the Committee, presiding.

## OPENING STATEMENT OF HON. DALE BUMPERS, U.S. SENATOR FROM ARKANSAS

The CHAIRMAN. Today, the Committee will examine the SBA Microloan Demonstration program and the SBA's Business Development programs which are delivered to the Nation's small businesses through private sector partners.

The Microloan program is in its third year of its 5-year demonstration period. I advocated this program to test the idea of providing Federal loans and grants to local community development organizations for the purpose of providing the smallest businesses with very modest loans which they would not be able to get from local banks, and intensive management and technical assistance.

Microloans are generally under \$10,000, but they may be up to \$25,000. I was motivated mostly by the success of one of the Nation's pioneering microlending groups in my own State, the Good Faith Fund of Pine Bluff, AR.

The Microloan program creates jobs through new businesses for people who have no access to credit through banks or other traditional lenders. It now operates through 96 intermediaries and parts of all but 6 States.

It was and remains my goal that the Microloan program become available throughout every State, as it is a useful tool for combating poverty, unemployment, and underemployment by offering people at the dream of successful business ownership.

I am pleased that the Clinton administration recognizes the value of this program and that the SBA's 1995 budget recommends a large increase in microloan funding. I also understand that the Microloan program is being considered as one part of the Administration's plan to overhaul the welfare system, and that is laudable.

I am concerned, however, about the Administration's proposal to change the program's funding mechanism from direct loans to

intermediaries to guaranteed bank loans. This proposal appears on its face to create more problems than it solves and I have yet to see what advantage would be gained.

In business development programs, the administration's 1995 budget supports some of SBA's longstanding private sector parties, but leaves others out in the cold. The Small Business Institute Program is proposed to be eliminated. The Service Corps of Retired Executives, the so-called SCORE program, and Small Business Development Centers are proposed to receive slight reductions in funding. And the budget does not specifically address the SBI National Training Network.

The budget proposal that the SBDCs charge fees for counseling services which have traditionally been free raises a lot of questions, and I hope those will be answered today.

After my colleagues have had an opportunity to make their opening statements we will begin today's hearing with a videotaped segment of a recent MacNeil-Lehrer News Hour story.

It did not mention me, and this is my program.

[Laughter.]

The CHAIRMAN. I do not know why I am showing it.

[Laughter.]

The CHAIRMAN. The story features the Good Faith Fund which I alluded to earlier. I also have here a letter from Susan Maupin of the Good Faith Fund, which is in each Senator's packet, and which I would like to submit for the record.

Together the letter and the videotape provide a good overview of the way the Good Faith Fund's microloan program operates, and of its accomplishments in rural Arkansas.

[The information referred to follows:]



## The Good Faith Fund

a program of the Southern Development Bancorporation

400 Main Street, Suite 118  
Pine Bluff, AR 71601  
501/535-6233  
Fax: 501/535-0741

March 14, 1994

Good Faith Fund (GFF) is a community-based, self-employment loan fund which provides training, technical assistance, savings programs, and a revolving loan fund for very small, short-term loans to residents of Southeast Arkansas who are interested in self-employment. Good Faith Fund is one of several non-profit programs of the Southern Development Bancorporation, a federally regulated bank holding company.

Good Faith Fund and the other affiliated programs and subsidiaries of "Southern" operate a range of programs which, combined, are a new approach to the development of rural and economically depressed communities in southern Arkansas. Southern's programs emphasize the capacity of local residents to increase the amount of small business and self-employment activity in their communities.

Good Faith Fund was the first North American program to replicate the peer-group lending techniques pioneered by the Grameen Bank in Bangladesh. At GFF, micro-business owners, such as seamstresses and welders, form small "borrowing" groups that secure their loans through peer support, peer pressure, and group stewardship. As of February 1994, total membership stood at close to two hundred. Approximately 81% of the members are African American and 68% are women. About 15% of the members receive AFDC, food stamps, or other public assistance. Good Faith Fund anticipates the number of people on public assistance participating in the program will grow with the implementation of a special welfare transition program beginning in the Spring of 1994.

In late 1992, GFF became among the first 35 programs in the country to participate in the Small Business Administration Microloan program. A story featuring one of Good Faith Fund's customers on National Public Radio is what inspired Senator Dale Bumpers to spearhead the SBA loan program for small business owners. At the end of February 1994, Good Faith Fund had disbursed 63 loans totaling \$253,531 through the SBA program. Total disbursements since GFF began in 1988 stand at 145 loans totaling \$430,974. The average loan size is \$2,972.

Recently Good Faith Fund was featured on the MacNeil/Lehrer News Hour on public television. Jessie Pearl Jackson, owner of JP's Shear Fantasy Beauty Salon, is a GFF customer and was highlighted in their story. Jackson has been a member of Good Faith Fund since 1992 and recently got a loan for approximately \$8,500 to purchase inventory and beauty supplies for her business. Other GFF members mentioned in the program include: Don Martin, owner of Don's Piano Service, who received a loan for \$25,000 for building renovations; Stanley Walker, who owns an auto customizing business and who received a \$10,000 loan for inventory; Colette Moorehead, a local art teacher who paints figurines and who received a \$1,200 loan to purchase figurines and paint; and David Ball, owner of Oh! Those Plants, who received a \$1,200 loan for plant inventory and advertising.

The CHAIRMAN. Let me be clear. The statute permits flexibility in the way the intermediaries make the loans, and not every microlender uses the borrowing group concept presented in this story. However, they all provide small loans and intensive management and technical assistance to their borrowers.

Following the videotape, the Committee will hear from SBA Deputy Administrator Cassandra Pulley, representatives of four successful microloan programs from the States of Illinois, Maine, Minnesota, and Pennsylvania, and representatives of four of SBA's private sector business development partners, the Small Business Institute program, the Small Business National Training Network, the Small Business Development program, and the Service Corps of Retired Executives.

I want to welcome all of our witnesses at this time and thank you for being here. Bear in mind your written statements will be included in the record, and in light of the large number of witnesses we have I hope each of you will be able to summarize your statements.

With that, Senator Kempthorne, do you have an opening statement?

#### OPENING STATEMENT OF HON. DIRK KEMPTHORNE, U.S. SENATOR FROM IDAHO

Senator KEMPTHORNE. I do, Mr. Chairman, thank you very much.

I would also like to welcome Ms. Pulley and the other members of the panel who will be discussing these programs today. Last week I met with an Idaho constituent, Mr. Phil Choate, who is the executive director of the Treasure Valley Certified Development Corporation. Mr. Choate's firm is involved with many SBA financing programs including microloans.

Mr. Choate was very excited with his involvement in this program because it enables his firm to expand their services to meet the modest credit needs of rural areas like Idaho, and it is a means to foster fledgling minority businesses. The popularity of this program is evidenced by the fact that they have loaned out their \$75,000 pool of microloan funds twice.

He did mention, however, that there are some dilemmas in the program requirements that inhibit his ability to expand their services in this area. The most significant problem he noted is the requirement that all lenders have an established track record of providing intensive technical assistance to microloan borrowers.

While Mr. Choate acknowledges that this certainly has merit, it excludes many economic development lenders who are not traditionally in the business of providing business advice other than for financial services. In rural areas like Idaho this is a serious consideration because of the limited financial resources and the limited number of persons who are available to provide the intensity of technical assistance.

To specifically address this problem, the Treasure Valley Development Corporation has hired at their own expense a part-time staff assistant to provide this service to their customers.

I would mention to you, Ms. Pulley, that along these same lines I find it disconcerting that the administration's fiscal year 1995

budget request recommends the elimination of the Small Business Institute program. For the relatively modest investment of \$3 million, the SBI program provides a much needed and heavily used business counseling program that compliments all of the SBA's loan programs.

Mr. Ron Hall, who is the director of the SBI program at Boise State University, stated with annual funding of just \$20,000, Boise State University conducts 35 case studies for small business owners who lack expertise in the business procedures that can make them successful.

As an added benefit, this program involves five upper-level business students in each case study review for hands-on interaction with business owners who are facing real life business challenges, a tremendous opportunity for these students. This opportunity greatly augments our students' classroom experience and helps them develop into our business entrepreneurs of the future.

Based on the obvious commitment of Administrator Bowles and yourself to assist small businesses through your positive changes to existing programs, I would appreciate knowing the factors that were considered in making the decision to eliminate this program. It strikes me as odd that at the same time we are expanding the availability of funds to small business owners we are eliminating a program that empowers them with the tools to use those resources efficiently.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Kempthorne. Senator Wellstone?

#### OPENING STATEMENT OF HON. PAUL WELLSTONE, U.S. SENATOR FROM MINNESOTA

Senator WELLSTONE. Thank you, Mr. Chairman. I will be relatively brief. Ms. Pulley and Mr. Cox, it is good to see you here again today.

Mr. Chairman, I really cannot take the same credit that I believe you richly deserve for thrusting forward the Microloan program, but as you know I was an original cosponsor, and I am very pleased with its progress so far. I think it is a small program. I think it can become a broader and broader application, but it is already delivering some big benefits. I think that the administration's support of the Microloan program is very consistent with the President's emphasis on entrepreneurship and self-sufficiency and self-reliant people and communities.

The Microloan program to me, Mr. Chairman, is the kind of program that people can look to and say if you were to think about a program where the Federal Government could really help people in communities, how might it do it, the Microloan program emerges as a very inspiring example of how we really can make some dollars make a difference.

Kay Gudmestad will testify on our second panel today, and she is president of one of four Minnesota intermediaries, WomenVenture of St. Paul. WomenVenture you may recall, Mr. Chairman, was one of the original model organizations for this legislation. WomenVenture is an urban intermediary organization. I



might add that all of the intermediary organizations in Minnesota are extremely active.

I have had the pleasure of visiting WomenVenture's offices, and I have talked with some of the business people who have benefited from their microlending program. WomenVenture's outstanding record in utilizing the program thus far is worth examining in full. But, Mr. Chairman, I would want to emphasize the record of WomenVenture in lending to women-owned and minority-owned businesses, which I think is one of its greatest strengths.

I point out also that the organization has been providing microenterprise program services in St. Paul since 1983, so they have been pioneers in the field.

I would like to extend a special welcome to Kay and thank you for being here today, Kay. Thank you very much for being here.

I also want to include some additional testimony and data that we have gathered, Mr. Chairman, from other Minnesota intermediaries. As I say, we have two urban and two rural intermediaries, and they are all very active.

I want to include a full statement from Mary Mathews, who is president of the Northeast Entrepreneur Fund of Virginia, Minnesota, and who testified last year when we examined this program.

Finally, I just want to say that this Microloan program—I think I am going to keep an open mind on the question you raised about guaranteed loan versus direct allocation—has been a program that has been active in the urban communities in Minnesota, but also as chairperson of our Subcommittee on the Rural Economy and Family Farms, I know it is important in rural America as well.

I think the urban programs have been making loans that average about \$10,000. And in our smaller communities it has been about \$5,000. If you want to talk about a small amount of assistance making a very big difference in people's lives, again, I think that is exactly what this program is accomplishing.

I thank you for holding this hearing today. I have some additional material that I want to include as a part of the record. I once again thank you all for being here, and special thanks to you, Kay.

[The prepared statement of Senator Wellstone follows:]

#### PREPARED STATEMENT OF SENATOR PAUL WELLSTONE

Thank you Mr. Chairman. Thank you, Ms. Pulley, for being with us again. It's good to see Mr. Cox again, as well.

Mr. Chairman, as you know I was an original cosponsor of the legislation creating the microloan demonstration program. I am extremely pleased by its progress so far. It remains a small program at this point, but I believe it is already delivering big benefits.

I am glad that the Administration is supporting the program. It is certainly consistent with President Clinton's desire to help those who are struggling at the margins of our society to help themselves, to become self-sufficient by using their own talents and energies, and to become full participants in and contributors to their communities.

The microloan program is the kind of program that people can take one look at and say: that is how the federal government should be helping people and communities. Many individual stories are inspiring, and we will hear some of those today.

Kay Gudmestad, who will testify on our second panel today, is President of one of four Minnesota intermediaries—WomenVenture of St. Paul. WomenVenture, as you may recall, Mr. Chairman, was one of the original model organizations for this legislation. WomenVenture is an urban intermediary organization, and I would like

to say I have had the pleasure of visiting WomenVenture's offices and talked with some of the business people that have benefited from their microlending program.

WomenVenture's outstanding record in utilizing the federal program thus far is worth examining in full, as we will see from Ms. Gudmestad's testimony. But I urge the Committee to take special note of their record in lending to women-owned and minority-owned businesses. I point out that the organization has been providing microenterprise development services to women in St. Paul since 1983, so they have been pioneers in this field. I would like to extend a special welcome to Kay. Thank you for being here today.

I will also be including in the record testimony and data that we have gathered from other of Minnesota's intermediaries. We have two urban and two rural intermediary organizations. I am including a full statement from Mary Matthews, who is president of the Northeast Entrepreneur Fund of Virginia, MN, and who testified here last year when we examined this program. Her organization operates one of our rural programs, and I want to emphasize that the microloan program is extremely important in rural areas. I say that as Chair of our Subcommittee on the Rural Economy.

Based on our interviews with Minnesota intermediaries, rural programs appear to be making very small loans—averaging under \$5,000. Urban programs also are making very small loans. After all, that is the point of this program. Our urban programs are making loans that average about \$10,000. My point in calling attention to the very small size is that it often takes a very small amount of assistance to make a very big difference in people's lives.

All four intermediaries are making loans, successful loans, to people who have been unemployed and who are on various types of public assistance. Women comprise a large portion of the business owners. I think that all four intermediaries have made an outstanding beginning in implementing this program, and all four foresee continued success. They like the program.

I will add written material based on our outreach at this point, Mr. Chairman, as well as some remarks about SBA's small business development programs.

Thank you.

---

The following is information concerning the operation of the Microloan Demonstration Project program gathered through telephone interviews conducted by my staff with the following Minnesota microloan intermediaries: Minneapolis Consortium of Non-Profit Developers Inc., Northeast Entrepreneur Fund, Inc., and Northwest Minnesota Initiative Fund. This information is followed by information concerning SBA's Small Business Development Center program and the SCORE program in Minnesota.

#### *Northeast Entrepreneur Fund*

The program appears to be very successful. They have made 16 SBA micro-loans since the beginning of the program for a total of \$40,694.00 in loans. The average size loan is \$2500 with the smallest being \$700 and the largest \$8,000.

The performance on the outstanding loans has been excellent thus far with only 3 late payments, some loans paid in full, and no defaults.

Of the 16 loans made, 4 have gone to AFDC recipients, who are participating in the state AFDC waiver program. That program allows AFDC recipients to receive loan dollars, invest it in their business, earn money in their business and reinvest it without having their AFDC grant affected for 1 year.

#### OBSERVATIONS

More microlending is taking place in Minnesota in recent years, even outside the federal program. Banks and other non-profits are making microloans.

Technical assistance is the most critical element of the program. The training component must be well done. Entrepreneurs are in the training phase for a minimum of 3 to 4 months and up to 1 year.

#### PROFILE OF THE BUSINESS OWNERS

- 20 percent unemployed
- 30 percent Public Assistance
- 20 percent Have existing businesses
- 30 percent Dislocated workers/underemployed

#### KINDS OF BUSINESSES

Restaurant

Horseback riding stable  
 Personal shopper/handyman  
 Security business  
 Organic Gardener  
 Wreckerservice/auto repair  
 Capuccino Bar  
 Engraving Signs

Concern: cost of providing technical assistance.

*Northwest Minnesota Initiative Fund*

Have made 10 loans through the program, averaging under \$5000.

PROFILE OF LOAN RECIPIENTS

More women than men. All low-income. Most have no education beyond high school.

OBSERVATIONS

Many applicants requested larger amounts of money than were actually needed or made sense.

The technical assistance portion of the work takes a minimum of 2 to 3 months and a maximum of 9 to 12 months.

PROBLEMS/CONCERNS

Intermediary may spend months providing technical assistance, then construct a business plan that is bankable. This successful technical assistance is not chargeable to the program because the intermediary did not make a loan, but rather linked the business to other financing.

*Minneapolis Consortium of Non-Profit Developers, Inc.*

The organization made its first loan in August, 1993 and has made a total of 17 loans averaging \$10,600.

CONCERNS

The organization would like to see the program decentralized so that it is handled out of the Minneapolis SBA office.

The organization would like to be able to use some of the grant for administration of the program.



**Testimony**  
**U. S. SENATE COMMITTEE ON SMALL BUSINESS**  
**March 17, 1994**

**Subject:      Microenterprise Development &  
 Small Business Administration's Microloan Demonstration Program**

**By:            Mary Mathews, President  
 Northeast Entrepreneur Fund, Inc.  
 140 Cicou Plaza  
 820 Ninth Street North  
 Virginia, Minnesota 55792**

The Northeast Entrepreneur Fund was awarded a \$200,000 loan in the first round of the SBA Microloan Program. We are a microenterprise program that assists unemployed and underemployed men and women in northeastern Minnesota in starting or expanding small businesses as a means to achieving economic self-sufficiency. Since our start up in November of 1989, we have helped start 88 businesses and helped stabilize or expand the operations of 47 existing microbusinesses. Those 135 businesses today employ over 230 people. Over 70% of our customers have family income under \$20,000. Over 30% are receiving public assistance.

We closed our SBA loan in August of 1992. To date we have drawn down \$70,000 of our original loan and expect in the next six months to draw additional money. We have made 16 loans, totalling \$40,694 to 14 businesses. Among these loans there have been 3 late payments and no defaults. Today all loans are current. Two additional loans totalling \$28,500 are being reviewed in the next week.

SBA microloans have purchase Christmas inventory for a floral shop, a wrecker for a wrecker and auto repair business, kitchen equipment for a small restaurant, marketing materials and a new computer for an engraver of plastic and metal signs, working capital to start a handyman service, and equipment to start a tree trimming service. Loans have ranged, so far, from \$600 to \$8000. The average loan is \$2500.

**DON YOUNG --- YOUNG COUNTRY, WOOD N' WHATEVER**

Next week we are considering and will likely approve a \$3500 microloan request from Don Young, a business owner who makes wood products for sale at craft shows and gift shops. He plans to purchase a business vehicle to deliver his products to the marketplace. He started working with the Entrepreneur Fund in the Fall of 1992. He and his wife have 12 children, between 1 and 14 years old. Don is on AFDC and has now accessed AFDC asset and income waivers to help him grow his business. In the past year he has developed a clear understanding of his market. Originally his family did not support the venture, but today they

are all working in the business. His wife is developing her own product line. Don renamed the business last fall to accommodate the expansion and reflect the family's involvement in the business. The Young Family has hope today--and a plan for getting off AFDC.

### **RICK RAJKOVICH --- FOAM CONCEPTS, INC.**

In 1987 Rick Rajkovich of Hoyt Lakes, Minnesota worked for LTV Mining Company. In his spare time, he thought about a new product, a urethane molded cover to replace hay filled plastic bags as a cover for blast holes. A short time later his back was injured in a non-work related accident and he was unable to return to his job. He began to design and test the blast hole cover. Meanwhile his savings ran out and his family began to receive AFDC benefits.

In 1990 he came to the Entrepreneur Fund. We helped him develop his business plan. A \$5,529 loan (prior to the start of the SBA Microloan Program) financed a business vehicle so he could make sales calls and deliver product. He designed and built special equipment which allowed him to produce his product without further injuring his back. A \$2000 line of credit with his local bank helped finance inventory. He was selling the covers to several area mining companies and wanted to expand his sales to mines in Canada and Michigan. He received AFDC income and asset waivers through the Self Employment Investment Demonstration (SEID). The waivers allowed him to own the business vehicle and build a cash balance in the business to help in business growth. Sales were slow, but growing, and he got off AFDC in 1991.

In 1992 he developed a second product, a molded in-place plug that is used below the surface in blast holes, above or below the blast, to aid in controlling the explosion and the amount of explosive required. Today the product is patented in 62 countries and licensing agreements are nearing completion with companies in South Africa, Sweden, and Korea. Exxon is currently the largest customer, using the product to control seismic testing blasts. Minnesota Technology helped him with the patents and product development.

In 1992 he needed more financial resources than we had available and he wanted a partner in the business. He joined forces with a private venture capital company in Duluth (Entrepreneur Ventures) to help him grow the company.

Later this month (March, 1994) he will hold demonstrations in Colorado and Arizona to introduce a third product, a capping process for abandoned mine shafts. The Bureau of Mines, Bureau of Land Management, the Forest Service, and the National Park Service have scheduled the demonstrations. Orders are being placed for the product prior to the demonstration. All of his products have provided a substantial cost savings to the end user. This new product, with an estimated price of \$3000 per klt, competes against the current capping process whose average cost is \$15,000.

On March 11th, Rick Rajkovich was named **Inventor of the Year for northeastern Minnesota**. It was a proud moment for Rick. Today he has two employees in his plant in Hoyt Lakes. A year from now he expects to build the facility he described to me in 1990 and will have more employees.

### **The Role of Technical Assistance in Microenterprise Development**

When the Entrepreneur Fund was formed in 1989, we knew that access to capital was a critical issue for very small businesses. We knew, too, that technical assistance was an important factor in generating good loan requests and increasing the likelihood that loans would be successfully re-paid. In a region like northeastern Minnesota, where there is little history of entrepreneurship and few role models, technical assistance is even more critical. We have always been dependent for jobs on large businesses whose ownership was located out of the region. As we develop/train/encourage more entrepreneurs, their success will inspire their families and friends to consider starting their own small businesses.

Perhaps 90% of our customers contact us wanting a loan. Our technical assistance helps them plan their business, including figuring out if they need a loan, what for, and how much. Often a need for money is a symptom of the problem, it's not the real issue. Many times, particularly for existing businesses, our customers learn how to better manage the money they have, rather than taking on additional debt.

The potential for financing brings people into the program. It's the technical assistance, however, that helps our customers start or build a business. A plan for the business--a plan for success--comes first. For those who need a loan, our access to capital then helps make the dream come true. Many people begin to plan their business and make a decision not to proceed. Some of them have gone back to school for more training; others have gotten jobs and reported to us that they are better employees for understanding more about "business". Other come back to develop a second or third idea, still looking for the right business opportunity.

Our numbers reflect a high drop off rate, consistent with other microenterprise program that allow people to self-select within the program. Since November of 1989,

- 2,230 people have contacted us for information
- 1,033 prospective customers have participated in an introductory session
- 531 people have participate in workshops and/or one-on-one consulting
- 135 entrepreneur have started, stabilized, or expanded a small business
- 47 businesses have received 65 loans
- \$320,000 in loans have been made, ranging in size from \$125 to \$20,000

The SBA Microloan program provides technical assistance grants which help offset the cost of providing training to SBA Borrowers. That is helpful. However, I suggest that the high

cost of operating a microloan program is in the technical assistance to people who decide not to start a business or who don't ultimately need a loan. Those services are critical. Our organization's mission is to help people start or expand a business. Loans are just one of the tools available to our customers. If every business needed a loan, the small amount of interest generated from small loans would never cover the cost of technical assistance. Cutting back on technical assistance impacts our ability to help build successful business owners.

We continually review our processes to improve our efficiency and effectiveness. We are combining group training with our one-on-one consulting to reduce our cost and increase our efficiency. With changes we are still spending over \$8000 for each business. (Our total program/operating expenses for 1990-93 divided by 135 businesses helped to date.)

The Entrepreneur Fund has been fortunate to receive long term funding commitments from the Mott, Ford, and Northwest Area Foundations. The Mott Foundation has indicated, however, that 1994 is our last year of funding. Both Mott and Ford Foundations are not funding new programs. There are few sources available from whom we can seek replacement funding and many applicants for limited resources.

#### **Recommendation to the U.S. Senate Committee on Small Business**

Microenterprise development is making a difference in people's lives in northeastern Minnesota. We are providing opportunity. We are creating jobs—one or two at a time. To continue our work, we need sources of long-term, stable funding for technical assistance. We aren't alone. Every microenterprise program in the country has similar funding problems, whether a new or existing program. We need funding sources that are flexible, yet results-oriented, to accommodate the many varieties of programs that have developed in this grass roots movement.

**RECOMMENDATION:** Develop long-term, stable sources of funding for technical assistance for microenterprise programs.



***SCORE FY 1993***

**Minnesota**

Number of people counseled by SCORE: 3,010

Number who attended SCORE workshops: 2,819

Hours worked by SCORE volunteers: 7,985

The CHAIRMAN. I ask unanimous consent that the statement of Senator Lautenberg be included in the record.  
[The prepared statement of Senator Lautenberg follows:]

PREPARED STATEMENT OF SENATOR FRANK R. LAUTENBERG

I would like to thank the Chairman for convening an oversight hearing on the Microloan and business development programs this afternoon.

The concept behind microloans actually developed abroad. Very small amounts of money in economically depressed regions could help someone start a laundry or some other business. Those businesses prospered. The loans were repaid. And we adopted the program here at home.

The Microloan Demonstration Program was created so that people who would not normally meet the credit standards of traditional lenders would have access to small loans. It was also created to help people who would never think of having a "personal banker." And, just as it did abroad, it worked here at home.

Given the success of the Microloan Program, Congress expanded the number of intermediaries from 35 in 1991 to 110 in 1993. New Jersey has four such non-profit organizations based in Newark, Union County, Trenton, and Jersey City. These four have \$1.2 million in loans to provide to businesses in New Jersey along with additional money with which to give valuable technical assistance.

I know that the Administration would like to guarantee the loans made to intermediaries rather than provide loans directly to the intermediaries as we do now. The goal here is to increase the involvement of traditional lenders in their communities—and I certainly support that. But I am concerned that this approach may create overly burdensome loan approval requirements. Specifically, I want the SBA to explain whether this change would reduce the subsidy rate and, if so, by how much. I also need to be assured that this change would improve the operation of the Microloan program.

I expect that the representative intermediaries present today will confirm what Congress believed back in 1993 when it decided to expand the Microloan program: this pilot project has been successful in reaching those in our communities who do not have access to traditional lenders or to needed technical support. Furthermore, as I am sure Ms. Pulley can confirm, the Microloan program has been successful in creating jobs.

Rutgers University in New Jersey is home to one of the nation's oldest Small Business Development Centers. Sixteen subcenters are located throughout the state and provide a series of services to local businesses. This resource is well-used by the small business community—in 1993, over half of the Agency's counseling was performed by SBDC's and their subcenters. Now the SBA is proposing that the SBDCs start charging a \$15 per hour counseling fee. I would like Mr. Higgins to tell us whether he believes such a charge would have a negative impact on those numerous businesses using this service.

In addition to the counseling provided by the SBDCs, small businesses also have had access to Small Business Institutes (SBI). Under the Administration's current budget proposal, funding for SBIs would be eliminated. The SBA believes that SBDCs perform much the same duties that SBIs do and therefore given SBA's scarce resources, money could be used more efficiently elsewhere. I hope the testimony from Ms. Pulley and Dr. Kemp will enable us to determine whether this program should remain.

I especially welcome Dr. Yancy of SCORE. The thousands of retired business executives who have volunteered their services over the past 30 years that SCORE has existed are to be commended. The positive impact that the mentor relationships which many SCORE volunteers have created with budding entrepreneurs is incalculable. I am pleased that the SBA recognized SCORE's importance and has decided not to eliminate or sharply curtail this program.

I thank you all for coming here today and I look forward to your testimony.

The CHAIRMAN. Yesterday Secretary Shalala was testifying, and she was saying that they were going to reduce the amount of money available for AHECs, area health education centers. We had started one of those in Arkansas when I was governor, and it is fabulously successful.

I said, that program was started in Arkansas under a young, dynamic, handsome governor, and it has been very successful, and nobody laughed.

We were walking down the hall after it was over and my staffer said, do you know why nobody laughed? And I said, no. And she said, because they thought you were talking about Bill Clinton.

[Laughter.]

The CHAIRMAN. So, I will not use that one anymore.

Well, get the popcorn out, and let us start the show.

[A videotape was shown.]

The CHAIRMAN. I want to compliment the staff. That is an original idea of showing that tape from MacNeil-Lehrer and a very good one. It is a very poignant endorsement of the microloan fund, and you can hardly keep tears out of your eyes when you see people who have never been able to borrow a nickel at a bank not only be able to borrow money but be successful at what they set out to do.

As I say, I am very pleased the administration agrees with raising the authority on this program to \$65 million. I am still troubled, and this anticipates what others will say, Cassandra, about the administration proposal to make this 100 percent guaranteed bank loans. Some banks are not going to participate and the reason they will not is because even though it is 100 percent guaranteed, oftentimes the Government hassles those people quite a bit before they will pay off.

If you have somebody who does not make it and they default on their loan, sometimes the Government is not as prompt in paying off as they should be, and some banks have had a bad experience with that. I have no reason to think that banks are going to be lining up to make these loans just because they are 100 percent guaranteed.

Our first witness is Ms. Cassandra Pulley, Deputy Administrator of SBA. Cassandra?

#### **STATEMENT OF CASSANDRA PULLEY, DEPUTY ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION**

Ms. PULLEY. Thank you, Mr. Chairman, and members of this Committee, it is an honor for me to appear before you today to review the Small Business Administration's Pilot Microloan Demonstration program, and Business Development programs.

I am accompanied today by Johnnie Albertson, Associate Administrator for the Small Business Development Centers, John Cox, Assistant Administrator for the Financial Assistance Program, and Monika Harrison, Associate Administrator for Business Initiatives, Education and Training.

I will use my time with you today to briefly touch upon the highlights of these programs, and I request that my full written testimony be submitted for the record.

Before I begin to describe the status of the Microloan program, Mr. Chairman, I want to take this opportunity to congratulate you for getting the Microloan program off the ground. I also want to thank the members of this Committee for the support you have given this successful demonstration project.



The Microloan program is a unique opportunity to bring the dream of business ownership to thousands of citizens who previously could not obtain financing and technical support needed to be successful. Our microloan borrowers do not generally meet the credit standards of traditional commercial lenders, nor are they trying to become Fortune 500 companies. Instead, they are seeking another way of supporting themselves and meeting basic family financial needs.

Since the establishment of the Pilot Microloan Demonstration program on October 28, 1991, the number of lenders in the program has risen from an initial 35 to a current level of 96. As of February 28, 1994, we have approved a total of \$38,125,000 in SBA loans to our intermediary lenders. As of January 31, 1994, the intermediaries made 1,123 loans to small businesses for a total of \$11,476,000. We have found that the average microloan amount fluctuates between \$9,800 and \$10,220.

Currently, the SBA has authority to approve a maximum of 110 microloan intermediaries. There are intermediaries in all States except Delaware, Hawaii, Nevada, Tennessee, Virginia, and Wyoming.

On January 31, 1994 we published a request for proposals for the above States. The closing date for submissions was March 14, 1994, and we received a total of 12 proposals. It is our hope that we will have representation in every State soon.

We have found that approximately 53 percent of microloans are made to small businesses located in urban areas. Approximately 47 percent are made in rural areas.

Mr. Chairman, we believe the Microloan program is meeting the needs of precisely those individuals you intended to reach in the original legislation. Approximately 41 percent of the loans are to start-up businesses, 45 percent have been made to women-owned businesses, and 37 percent have been made to minorities.

While we are happy with the program to date, we believe that our inability to obtain program penetration in these areas where the demand for the service is the most needed hampers our efforts. We will request three initiatives in our legislative package to address this.

Number one, removing the cap on the number of intermediaries allowed into the program. Number two, raising the cap on the dollar amount each intermediary may borrow. And number three, removing the maximum dollar limits on individual States.

We will also recommend changing the Microloan program from a direct loan program to a guarantee program primarily because it will slightly reduce the subsidy rate which will increase the capacity to lend money, and will be less of an administrative burden on the SBA, and will enable us to provide additional technical assistance to the intermediary borrowers, particularly during the pilot phase.

We are requesting \$7.9 billion in budget authority in our fiscal year 1995 budget. This will fund a guarantee program level of approximately \$65 million. We are also requesting \$16.3 million for technical assistance grants.

Technical assistance is required by the legislation as part of the funding for the intermediaries primarily because these are inexpe-

rienced, first-time borrowers who need capital and technical assistance in order to be successful.

Finally, we believe that making the program permanent will allow intermediaries to plan for the future.

Mr. Chairman, although the Nation's small businesses need access to capital, that is just one part of the equation for success. Small businesswomen and men also require management assistance to develop their entrepreneurial skills. To supplement our lending programs, the SBA offers a number of proven business development programs to help small businesses grow.

I would like to briefly describe some of the SBA's business development programs and initiatives. First, I will give an overview of the Small Business Development Centers. The SBDC program links the resources of Federal, State, and local governments with the resources of the educational community and the private sector to meet the needs of a diverse small business community.

Each SBDC designs its services and programs based on a local needs assessment survey of the small business community. This is a unique feature of the program which provides maximum flexibility to ensure that the programs do not duplicate or overlap other programs being offered.

The SBDC has centers in 49 States, Puerto Rico, the Virgin Islands, and the District of Columbia. As mentioned earlier, plans are underway to restart the Wyoming SBDC in July 1994.

As you know, the SBDC program is only partially funded by the SBA. The Federal share of the program in fiscal year 1994 is \$71 million. All SBDCs are required to provide a dollar-for-dollar match, but many SBDCs support the program with more than the minimum matching requirement.

The SBA has proposed SBDC funding for fiscal year 1995 at \$67 million. The budget request also proposes counseling fees for SBDC services of \$15 per hour. Estimated income from the collection of this fee would be \$17 million per year.

Our other business development programs are managed by our Office of Business Initiatives, Education and Training (BIET). The principal functions of the Office of Business Initiatives fall into three distinctly different areas—to manage and improve the SCORE and SBI programs, to undertake special initiatives with the private sector or other Governmental agencies, and to manage the Agency's cosponsorship program.

The SBA is proposing two important legislative initiatives that will affect BIET. First, we are seeking authority to sell publications and products. And secondly, we are seeking permanent authorization of cosponsorships with for-profit entities.

Business Information Centers, BICs, are one of our business development programs. BICs use state-of-the-art technology to allow clients to access market research data bases, use planning and spreadsheet software, and browse through vast libraries of information to help them build or start their businesses.

BICs, with on-site SCORE counseling, are operational in Atlanta, Houston, Los Angeles, St. Louis, Seattle, and Boston. BICs will soon operate in Kansas City, Chicago, and Washington, DC.

The Service Corps of Retired Executives, SCORE, provides valuable counseling through 750 SCORE chapters and subchapters na-



tionwide, staffed by 13,000 volunteers. SCORE expects to counsel and train approximately 350 clients and provide approximately 1.2 million hours of assistance in fiscal year 1994. In addition, at the beginning of this fiscal year, SCORE initiated a nationwide drive to recruit additional women and minority volunteers.

The SBA's budget request for SCORE in fiscal year 1995 is \$3,082,000, \$418,000 less than fiscal year 1994, which reflects completion of the SCORE Development Training Program in fiscal year 1994, and a return to the baseline funding of 1993.

Although funding for the Small Business Institute program for fiscal year 1994 is \$3 million, the SBA has eliminated funding for the program for fiscal year 1995. Unfortunately, it is necessary to allocate our limited budget resources in the most efficient way possible, and we believe the services provided by the SBI schools, while very valuable, are in some instances duplicative of SBDC services.

Of the 500 SBI schools, 177 are in the same physical location as SBDC's. As a matter of fact, the SBI director in Idaho is also the director of the State SBDC program. We will be working with our SBDC partners to ensure that small businesses continue to receive the necessary assistance.

The Small Business Advancement National Center, SBANC, was authorized by SBA's fiscal year 1991 appropriation bill. SBANC was created to gather information on the Small Business Institute Program. It has expanded its focus to include gathering pertinent research on small business, entrepreneurship, and international small business issues. This program also is not included in our fiscal year 1995 budget request.

The National Training Network was established in fiscal year 1993 to allow community vocational schools, adult education programs, and nonprofit community organizations to provide discrete training events to their local small business owners, managers, employees, and adult learners.

For fiscal year 1995, the National Training Network is funded at \$68,000. To date, 58 organizations have each received a \$1,000 stipend to conduct 5 training events annually. There are no funds included for this activity in fiscal year 1995's request.

Mr. Chairman, this concludes my remarks. I want to thank you again for the opportunity to testify today, and I will be happy to answer any questions you may have.

[The prepared statement of Ms. Pulley follows:]

#### PREPARED STATEMENT OF CASSANDRA PULLEY

Mr. Chairman and members of this Committee, it is an honor for me to appear before you today to review the Small Business Administration's (SBA) pilot Microloan Demonstration program and business development programs. I am accompanied by John Cox, Assistant Administrator for Financial Assistance, Johnnie Albertson, Associate Administrator for Small Business Development Centers, and Monika Harrison, Associate Administrator for Business Initiatives, Education and Training.

#### MICROLOAN DEMONSTRATION PROGRAM

Before I begin to describe the status of the Microloan program, Mr. Chairman, I want to take this opportunity to congratulate you for getting the Microloan program off the ground. I also want to thank the members of this Committee for the excellent support you have given this successful demonstration.

The Microloan Program is unique among our financing initiatives. We are making long-term direct loans to non-profit entities specifically for relending to small businesses. This program can be a gateway to the benefits of entrepreneurship, helping people to help themselves and fostering the responsibility and self-esteem that spring from individual decision making, hard work, persistence and self reliance. Microloans are designed to bring the dream of business ownership to thousands of citizens who previously could not obtain the financing and technical support needed to be successful.

We believe that this is a responsible, fiscally sound and logical approach to encouraging the most basic kind of economic and financial activity in a practical and sustainable way. The microloan borrowers do not generally meet the credit standards of traditional lenders. They have few, if any, funds to contribute to their enterprise and most of them are not looking to become the next Apple Computer. Instead, they are seeking another way of supporting themselves and meeting basic family financial needs.

As you know, the pilot Microloan Demonstration program was established on October 28, 1991. This 5-year demonstration program is now in its 20th operational month. During this short period of time, the number of lenders in the program has risen from an initial 35 lenders and \$15 million in lending authority, to 96 lenders and \$58 million in lending authority. Lending authority, in this context, means the appropriated program level. To date, only one intermediary lender has chosen to withdraw from the program, and that organization was replaced almost immediately with a new intermediary covering the same geographic area.

Currently, the SBA has authority to approve a maximum of 110 microloan intermediaries. There are intermediaries in all states except Delaware, Hawaii, Nevada, Tennessee, Virginia, and Wyoming. On January 31, 1994 we published a Request for Proposals for the above states. The closing date for submissions was March 14, 1994 and we received 12 proposals. Proposals were received from all of the states except Wyoming. We will continue to seek intermediaries in Wyoming that would be willing to participate in this program. It is our hope that we will have representation in every state.

As of February 28, 1994, the SBA approved a total of \$38,125,000 in SBA loans to our intermediary lenders. These loans are disbursed to lenders upon request, with the funds being placed in revolving loan accounts for use in lending to small businesses. As of March 9, our lenders had requested from SBA a total of \$17,715,946 for deposit to their revolving loan accounts. The remaining \$20 million remains on deposit in the Federal Treasury awaiting disbursement.

Some might ask why the \$20 million has not yet been drawn down by the intermediaries. When the program was new, the Agency decided to make its initial loans to the intermediaries large enough so that they would not run out of funds. With experience, we have adjusted the level of loans that are now being made to reflect actual demand from the small businesses and a realistic assessment of the capabilities of our lenders. Also, since the intermediaries have to cover losses through the injection of local funds into a loan loss reserve, it is normal for them to be conservative in their loan-making until they have a better feel for the credit standard they should use. We believe the approach being taken by the intermediaries is a sound one and one that will make the program stronger as we expand.

As of January 31, 1994, the intermediaries made 1,123 loans to small business for a total of \$11,476,347. These figures reflect that there are very few disbursed federal funds sitting in the intermediaries' bank accounts. We believe that this not only indicates good program controls but also reflects sound fiscal management by the intermediary lenders.

We have found that the average microloan amount fluctuates between \$9,800 and \$10,220. This really is no surprise, since two-thirds of America's small businesses are started with less than \$10,000 in capital and one half with less than \$5,000. Approximately 41 percent of the Microloans are for new startups. Our smallest loan started a business for \$125.00.

The average interest rate paid by the small business is 10.85 percent and the average maturity of the loans being made is approximately 34 months.

We have found that approximately 53 percent of microloans are made to small businesses located in urban areas. Approximately 47 percent are made in rural areas.

Mr. Chairman, we believe the Microloan program is meeting the needs of precisely those individuals you intended to reach in the original legislation. Approximately 41 percent of the loan are to start-up businesses, 45 percent have been made to women-owned businesses, and 37 percent have been made to minorities.



The Microloan program is also creating jobs. Approximately 2.7 jobs are created or maintained for each loan approved or one job for each \$3,785 in loan amount. As of January 31, 1994, approximately 3,000 jobs have been realized. This is a cost per job of approximately \$3,785.00.

As to fears that the program might involve a high risk, I am happy to say that, so far, it has not. Payments from the intermediaries to SBA have been prompt, with no intermediaries being in payment default. Of the 1,123 loans that have been made, only 20 are over 60 days late in payment and only 42 are over 30 days late in payment. Thus far, there have been a total of 19 charge-offs for \$161,300. This reflects only 1.6 percent when calculating the number of loans and 1.4 percent when calculating the dollars; a very healthy condition for any lending program. Although, we expect that losses may go higher, we are very pleased with the results to date.

Training of Microloan intermediaries is underway on two fronts.

Our first task is to provide training to our current intermediaries and technical assistance providers. To accomplish this, we hold a training conference each year to reinforce program knowledge, introduce new information, and update our service providers on industry developments. This year, the training session will take place on July 18, 19, and 20 in Reston, Virginia. We expect approximately 300 attendees at this training conference.

Our second task focuses on building the capacity of communities and organizations interested in developing new microenterprise programs or improving those programs already in existence. Currently, we are developing a program to build a pool of experts in the field of microenterprise development. We will match these experts with organizations seeking capacity improvements.

As you are aware, Mr. Chairman, SBA is currently authorized to use up to 7 percent of its loan subsidy dollars for training purposes. We believe that this will be a very important part the Microloan program.

While we are happy with the program to date, we believe that our inability to bring the program to many areas of the country, and to obtain improved program penetration in areas where the demand for the service is most needed, hampers our efforts. Because of certain program limitations, we are unable to bring the program to some of the most capital starved rural and urban areas of the country. And, because many of the intermediaries this cannot service wide geographic areas in a manner that would assure quality programs, we need to take steps to allow the program.

You have indicated that you believe the SBA should expand this program only when prudent. We believe that the time has arrived to take the next steps that will bring the Microloan Program to areas of the country that are not served. We will request three initiatives to address this in our legislative package:

1. Removing the caps on the number of intermediaries allowed into the program. Currently, the legislation sets the number of intermediaries that can participate at a maximum of 110. There are many areas of the country that are not being served and the removal of this cap will allow services to be brought to many those areas.
2. Raising the cap on the dollar amount each intermediary may borrow. There are several lenders that have very active programs. We believe that microloan volume is direct correlation of need. The existing caps artificially govern growth of the program and will needlessly force the smallest of businesses to wait in line for funding.
3. Removing the maximum dollar limits on individual states. We believe that market demand should govern the number of lenders and the loan amounts, and that the total program authorization and appropriation levels should govern the expansion of the program. The 7(a) program is run this way.

We also will recommend changing the direct loan program to a guaranty program in our legislative package. We request this for several reasons.

1. We believe that the need for the Microloan program will outstrip any future appropriations that could be generated given the budget deficits.
2. We believe that the 1995 subsidy rate of 12.16 percent will be reduced since our guaranty subsidy rate other lending programs is much less than for our loan program. The rate is now high because we did not have a history on which to base the subsidy calculation.
3. Changing the program from a direct program to a guaranty program will allow the Agency to implement revolving line of credit for the first 5 years of the loan. This would allow the intermediaries to build their portfolios and their income streams during the first 5 years of their participation. Principal and interest payments would be made during the last 5 years.
4. We believe that it is important to get traditional lenders (banks, savings & loans, and credit unions) involved in supporting microlending in their commu-

nity to build a smooth transition for borrowers from microloans to traditional loans. We will be asking for authority to guarantee 100 percent of a loan made to an approved SBA intermediary lender by a private sector lender. Such a loan would be made under the same interest rate that SBA now charges, and the interest buy-down provision would still be in force. Therefore, the cost of funds to the intermediary would not change from the current net interest rate. We also will be asking permission to allow the Agency to approve loans made to intermediaries by groups of lenders. This would encourage lenders to join together in loan pools to address needs in underserved areas. Finally, we believe banks, savings & loans, and credit unions participating in the Microloan program should receive full Community Reinvestment Act credit. We will pursue giving full Community Reinvestment Act (CRA) credit to Microloan lenders to intermediaries.

5. Finally, the change from a direct loan program to a guaranty program will lower the administrative costs of the program since loan disbursement and servicing would be accomplished by the lender.

We are requesting \$7.9 million in subsidy in our FY 1995 budget. This will fund a guaranty program level of approximately \$65.0 million. We also are requesting \$16.3 million for technical assistance grants. We expect demand for this program to continue to grow annually beyond 1995.

We believe that the above request, if approved by Congress, will place the Microloan program in a position to expand to meet the needs of small businesses.

You have asked the Agency's views on whether Congress should permanently authorize the Microloan program. We believe that it should. For the reasons, I have stated, we are very comfortable with our program results to date. We believe that the Agency can operate this program in a sound manner and that the program is meeting the goals set by the original legislation. We believe that a permanently authorized program will allow our current intermediaries to plan for the future, and allow them to make long term commitments to the program. A permanent program also would show entities just getting interested in the program that they can commit resources knowing that the program has been accepted by the Administration and Congress.

We believe that the Microloan program is an exciting new tool for the Agency and we certainly would encourage making it a permanent program.

#### BUSINESS DEVELOPMENT PROGRAMS

Mr. Chairman, although the Nation's small businesses need access to capital to succeed, that is just one part of the equation of success. Small businessmen and women also require management assistance to develop their managerial skills and decision-making abilities. To supplement our lending programs, the SBA offers a number of proven business development programs to help offers a number of proven business development programs to help small businesses grow.

With the help of our invaluable resource partners such as the Service Corps of Retired Executives (SCORE) and our Small Business Development Centers (SBDCs), over 800,000 clients received counseling and training (406,376 and 439,617, respectively) in fiscal year 1993.

The SBA business development programs provide assistance to veteran- and women-owned businesses, promote international trade and trade financing, produce and disseminate publications, and dispense counseling and training to meet the needs of small businesses.

Historically, the SBA has delivered a wide variety of programs through its finance, investment and business development programs, but these entities have not worked closely together on program development and implementation. This has resulted in fragmented program delivery.

To overcome this problem, the SBA has proposed merging the offices of financial assistance, surety guarantees, and investment with the business development program offices. This new entity will be referred to as the Office of Economic Development and will be headed by an Associate Deputy Administrator.

The SBA believes this merger of finance and business development programs will greatly enhance the effectiveness the program delivery to small businesses, eliminate redundancy in program operations, heighten creativity, and allow us to establish focused program goals and objectives to achieve our economic development mission. Empirical evidence supports the premise that small businesses need a combination of management and technical assistance and financial assistance to grow and prosper.

I would like to take the next few minutes to provide you with some detailed information on the SBA's business development programs and activities.



## SMALL BUSINESS DEVELOPMENT CENTERS

President Clinton has made economic development the top domestic priority of his administration and, as a result, the SBA's Small Business Development Center (SBDC) program has taken on significantly increased importance. Since 1980, this program has played a critical role in economic development and has become one of the most important resources within the SBA.

The SBDC program is designed to provide high quality business and economic development assistance to small businesses and prospective small businesses in order to foster the growth and expansion of small businesses and promote innovation, increased productivity and improved management. To accomplish these objectives, SBDCs link the resources of federal, state, and local governments with the resources of the educational community and the private sector to meet the specialized and complex needs of an increasingly diverse small business community.

Since the SBDC program was created in 1977, it has grown considerably. From a pilot of nine SBDCs, the SBDC program now has centers located in 49 states, Puerto Rico, the Virgin Islands and the District of Columbia. [The Wyoming SBDC dropped out of the program in 1993 because the funding level (\$226,147 cap) was insufficient to attract academic involvement. Discussions are actively underway to help the State of Wyoming rejoin the SBDC network.]

Today, this network includes more than 900 centers, subcenters and satellites and has become a major provider of management counseling, training and technical assistance for small businesses nationwide. During fiscal year 1993, the SBDC network counseled over 230,000 prospective or existing small business clients out of the Agency's total of 406,000 clients counseled. Thus, approximately 57 percent of the Agency's counseling was performed by SBDCs in 1993. Likewise, SBDCs conducted more than 2 million hours of small business training more than 50 percent of the Agency's total training hours in 1993. The SBDCs may charge a nominal fee for train and expansion not currently required to do so by the Agency.

The Association of SBDCs has recently completed a study on the economic impact of the SBDC program between 1990 and 1991. This study compares SBDC clients to the average U.S. business, which is based on a weighted average of the input from the SBDCs on its small business clients. The study shows, among other things, that average sales have increased by 7.78 percent for SBDC clients, whereas sales for the average U.S. business increased by only 1.13 percent. The study also indicates that average employment has increased by 6.49 percent for SBDC clients. This compares to an increase of .58 percent for the average U.S. business. Research for this study was conducted by independent consultants in 1993.

As you know, the SBDC program is only partially funded by the SBA. The federal share for the program in fiscal year 1994 is \$71 million. All SBDCs are required to provide a dollar-for-dollar match, but many SBDCs support the program with more than the minimum matching requirement. Cash-required contributions are provided through the state legislatures, participating academic institutions, local governments and various private sector organizations participating with the SBDC. Indirect and in-kind contributions also are provided by SBDC sponsoring organizations.

The SBA has proposed that SBDC funding for FY 1995 be reduced from \$71.2 million in FY 1994 to \$67 million. In conjunction with this reduced FY 1995 funding request, the budget request that SBDCs charge a counseling fee of \$15 per hour.

Estimated income from the collection of this fee would be \$17 million per year. The anticipated \$17 million to be generated by the fee will be used to offset SBA's overall administrative budget requirement. SBA feels that because the current SBDC counseling services are offered free-of-charge, customers do not always make efficient use of the counselor's time and energies. Having the client pay a nominal charge for the services will encourage them to prepare better for counseling sessions, thereby increasing the utility of the services and the efficiency of the program. We consider a \$15 per hour charge to be very reasonable for the services received and well below comparable commercial fees for similar services.

Fees of this nature already are being charged for business development services in other areas of the government. The Minority Business Development Administration (MBDA) at the Department of Commerce regularly charges fees for services provided. The fee structure may vary slightly based on the local economy, availability of alternative services, and the emphasis of the individual centers. Although the MBDA fee charges are \$50 an hour, companies with low revenues receive subsidies so that they pay between \$10.00 and \$17.50 per hour for the services. It is also important to note, that with respect to these charges, SBDCs today charge for training at some of their events. They raised almost \$6 million at 17,000 training events last year where an average fee of \$27.50 was charged for attendance.

The SBDC services that are provided to small business owners include, but are not limited to, assisting small businesses with financing, marketing, production, organization, technical problems and feasibility studies. Special SBDC programs and current economic development activities include international trade assistance, technical assistance, procurement assistance, venture capital formation and rural development.

Each SBDC designs its services and programs based on a local needs assessment survey of the small business community. This is a unique feature of the program, which provides maximum flexibility to ensure that the programs do not duplicate or overlap other programs being offered.

The SBDCs make special efforts to reach members of socially and economically disadvantaged groups, veterans, women and the disabled.

The SBA intends to more fully utilize the resources of the SBDC program. For example, in partnership with the Association of Small Business Development Centers (ASBDC), Administrator Bowles recently set up a task force, Chaired by the Deputy Administrator, to explore ways to integrate the delivery capability of the SBDC program into all of the program delivery needs of the Agency. Participating in the task force will be SBA District Directors, state SBDC directors and other SBA personnel.

It is important to note that SBDCs have evolved to serve as delivery centers for other federal agencies and not just for the SBA. For example, under a Memorandum of Understanding signed on November 15, 1993, between the Environmental Protection Agency (EPA) Administrator Carol Browner and SBA Administrator Erskine Bowles, EPA has transferred \$158,000 to SBA for multi-media pollution prevention pilot projects at one or more SBDCs.

In recent years, the SBA has worked with SBDCs to improve and expand their services through a number of initiatives. For instance, this is the third year of a pilot project called the "Technology Access Pilot Program" (TAPP) between the SBA and the Department of Commerce's National Institute of Standards and Technology (NIST). NIST manages this effort for the SBA as part of its responsibility to foster the transfer of appropriate technology to small and medium-sized businesses.

Matching grants of \$930,000 help SBA-sponsored SBDCs in Maryland, Missouri, Texas, Pennsylvania and Wisconsin improve small business access to public and private technical services and expertise. The grants augment SBA's ongoing efforts to improve small businesses' productivity and competitiveness by linking them with commercial, on-line data services and technical information services. The program also helps train small businesses to use data bases to obtain technical information and services.

Another partnership between the Commerce Department and SBDCs are Manufacturing Technology Centers (MTCs). These consist of co-locating SBDC field offices with each of seven NIST Manufacturing Technology Centers in New York, Ohio, South Carolina, Minnesota, California, Michigan and Kansas. The SBDCs will be providing management and business planning assistance to these centers and NIST will be providing technology assistance.

The SBA also expects that some existing, as well as some new SBDC subcenters will be located or relocated within the Empowerment Zones or Enterprise Communities proposed by the Clinton Administration.

In fiscal year 1991, the Agency implemented a multi-year approval process for SBDCs. As you know, each SBDC program is approved and funded annually. Under the new procedure, participating SBDCs submit 3-year plans. In the second and third years after approval, SBDCs only have to furnish minimal information to complete the renewal process. This has greatly reduced paperwork and red tape and has served to facilitate the planning process for the 34 SBDCs that currently participate in the multi-year approval process. The SBA is encouraging the other SBDCs to participate.

The "National SBDC Research Network" is a nationwide computerized clearinghouse operated by the SBDC at the State University of New York in Albany. This clearinghouse allows SBDCs around the country to share information about their programs and innovations. It serves as a repository of information and materials developed by SBDC directors and the SBA. In addition, the clearinghouse responds to SBDC requests for reference materials and information on business-related topics.

#### BUSINESS INITIATIVES, EDUCATION AND TRAINING (BIET)

The principal functions of the Office of Business Initiatives fall into three distinctly different areas: (1) to manage and improve the SCORE and SBI programs; (2) to undertake a variety of special initiatives with the private sector or other governmental agencies to extend the management assistance and training programs of-



ferred the small business community (e.g., Transition 1993, SBA On-Line, Succession Planning Seminars, and BICs; and (3) to manage the Agency's cosponsorship program.

The SBA is proposing two important legislative initiatives that will effect BIET. First, we are seeking the authority to sell publications and products, and secondly, we are seeking permanent authorization of cosponsorships with for-profit entities.

The fees that we would charge for publications would range in price from about \$.50 to \$1.50 and would be used to offset the cost of printing, mailing, and distribution. We estimate generating \$1.15 million in revenues from this fee in FY 1995.

Currently, the SBA does receive some donations for publications, which we anticipate will amount to \$400,000 in FY 1994.

The SBA was given specific authorization to cosponsor training activities with for-profit entities in 1984. The authority has been renewed three times. The most recent renewal, in 1992, was for 2 years. Permanent authority would permit the program to operate in a more orderly fashion and facilitate long-range planning that would benefit SBA clients. Many for-profit entities, as well as large Chambers of Commerce dependent upon for-profit entities, operate with 3-year planning and funding cycles. Because of the uncertainty of cosponsorship renewal, SBA cannot take advantage of many opportunities to provide training and published material to its customers. In addition, uncertain funding prevents the SBA from undertaking ongoing relationships with the private sector.

Funding of business development publications and products currently is dependent upon voluntary donations to the Business Assistance Trust Fund. Approximately  $\frac{1}{3}$  of the orders for these products are not accompanied by donations, and others include amounts that do not cover the actual cost of printing and mailing the publications. Authority for SBA to sell publications would enable the Agency to operate its program on a business-like basis. Effectively, such authority would equalize costs for all recipients.

#### BUSINESS INFORMATION CENTERS (BICS)

Using the state-of-the-art personal computers, graphic workstations, CD-ROM technology, and interactive videos housed at the BICs, clients can access market research databases, use planning and spreadsheet software, and browse through vast libraries of information to help them build or start their business. BICs, with on-site SCORE counseling, are operational in Atlanta, Houston, Los Angeles, St. Louis, Seattle, and Boston. BICs soon will be in Kansas City, Chicago and Washington DC. It is anticipated that BICs will be located in the One Stop Capital Shops to be located in Empowerment Zones to be designated in FY 1995. In addition, SBA will initiate other BICs through cosponsorship with private sector partners.

#### SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)

Funding for the SCORE program for FY 1994 is \$3.5 million. This will be distributed to 750 SCORE chapters and sub-chapters nationwide for use by 13,000 volunteers. SCORE expects to counsel and train approximately 350,000 clients and provide approximately 1.2 million hours of assistance in FY 1994. This valuable counseling is given without charge to the small business person. In addition, at the beginning of this fiscal year, SCORE initiated a nationwide drive to recruit additional women and minority volunteers.

The SBA's budget request for SCORE in FY 1995 is \$3.082 million. This reduced request in the SCORE program of \$418,000 reflects the completion of the SCORE professional development training program in FY 1994 and a return to the baseline funding of FY 1993.

SCORE will be a counseling resource in the One Stop Capital Shops included in Empowerment Zones to be designated this year.

#### SMALL BUSINESS INSTITUTE PROGRAM (SBI)

Funding for the SBI program for FY 1994 is \$3 million. This will be distributed to 500 colleges and universities which will provide assistance to approximately 6,000 small businesses. An average of 100 hours of consulting time per case is spent.

The elimination of FY 1995 funding for the SBI program was a difficult choice, which, unfortunately, is necessary to allocate our limited budget resources in the most efficient way possible. We believe that the services provided by the SBI schools are somewhat duplicative of the services that are provided by valuable SBDC resource partners. We propose to service the small businesses that would be served through the SBI program through a modification of the cooperative agreements with the SBDCs.

#### SMALL BUSINESS ADVANCEMENT NATIONAL CENTER

The Small Business Advancement National Center (SBANC) was authorized by SBA's FY 1991 appropriation bill. SBANC was initially created to gather and provide information on the Small Business Institute program and its participants for the Small Business Administration (SBA), its resource partners and state and federal government agencies working on small business development. The Center is housed at the University of Central Arkansas.

Presently, SBANC has expanded its focus and outreach to include gathering pertinent research on small business, entrepreneurship, and international small business issues. SBANC provides a repository of course materials in small business and entrepreneurship education. SBANC also supports national conferences focused on current small business issues and continues to network with national and international organizations.

#### SMALL BUSINESS NATIONAL TRAINING NETWORK

The National Training Network was established in FY 1993 to allow community/vocational schools, adult education programs, and non-profit community organizations to provide discreet training events to their local small business owners, managers, employees and adult learners. For FY 1994, the National Training Network is funded at \$68,000. This program was created using business development special initiative funding available at the end of FY 1993. To date, 58 organizations have each received a \$1000 stipend to conduct 5 training events annually. Training events are funded throughout the year and the SBA still has \$10,000 available to fund more projects. Because this amount of money is so limited, recipients of the National Training Network funding are not considered long term resource partners in the same way as SCORE, SBI schools, and SBDCs. There are no funds included for this activity in the FY 1995 request.

In response to the Committee's request for the difference between the National Training Network and the BIC program, the BICs serve a different purpose. Generally, BICs are located in or near an SBA District Office. As a long-term resource, combined with one-on-one counseling from our SCORE volunteers, the BICs offer powerful ongoing training and assistance to our clients.

#### CONCLUSION

Mr. Chairman, this concludes my remarks. I believe that the SBA's pilot Microloan Demonstration program and business development programs are central to the President's pledge to expand opportunities for the Nation's small businesses, and, with your help, we can ensure that this pledge will be fulfilled.

I want to thank you again for this opportunity to testify today, and I will be happy to answer any questions you may have.

The CHAIRMAN. Ms. Pulley, let me congratulate you on the way you summarized your full statement, and let me say you have given us precisely the kinds of information we asked you to give us, and I want to thank you very much for that.

Before we start the questions, Senator Burns joined us before we got into the questioning. Would you like to make an opening statement?

#### OPENING STATEMENT OF HON. CONRAD BURNS, U.S. SENATOR FROM MONTANA

Senator BURNS. Thank you, Mr. Chairman. I will submit my statement for the record, and I also have some letters from people that these programs have assisted in Montana.

Through the SBA in Missoula, Montana, we started a microloan operation called the Women's Economic Development Group. It is the third largest in the Nation for women entrepreneurs, and it has been probably one of the most successful programs that we have had in Western Montana and in the whole State.

Also, I have some letters from people who have participated in the SBDC programs, also to commend Montana State University.



They win the prize every year for their incubators that are put together through these programs.

Dr. Nancy Dodd at Montana State University has headed that up for many, many years. In fact, she has won the SBI National Education Case of the Year for the last 2 years.

So, we are very proud of this program, and I would like to help position all of those people who want to become entrepreneurs, who have an idea, who have a shot to improve their fate or their lot in life. I do not want them to come back and say they did not have a shot, that they did not get the opportunity. I think that what government is about is to make sure that the doors of opportunity are open for all Americans if they have got a good idea.

With regard to SCORE, we have 675 volunteers in the SCORE program in Montana—now, they have only got \$3.5 million, and they eat most of that up just in driving around the State, because I have got 148,000 square miles to cover in Montana.

Mr. Chairman, these programs are working. Also I want to congratulate you because we just passed S. 4, and that has a lot to do with the new technologies and how that will go into rural America. I do not want anybody to say that they just did not get their shot at improving their lot, because I remember when I started out.

After I was an owner of cattle for a long time I had a young man come to me and say, what book did you read to learn the livestock buying business? And I said, well I did not have a book. He asked, well, how did you learn? And I said, well I went to an old cattle buyer, and he said just go in there and buy a load of cattle, and then start down the road and try to get your money back.

[Laughter.]

Senator BURNS. Now, that is the kind of trial by fire, but that is the way I learned. But I also had to sell them pretty darned fast, before my check got in the bank, before the receipts check got in the bank.

[Laughter.]

Senator BURNS. We do not like to do things like that, but that was sort of my training ground, and I think it was the training ground for a lot of small entrepreneurs, the way we got started.

So I appreciate your testimony, and I would like to enter my statement in the record and also the letters from people from my State who are supportive of this program. And I thank the Chairman.

[The prepared statement of Senator Burns follows:]

#### PREPARED STATEMENT OF SENATOR CONRAD BURNS

Mr. Chairman, thank you. I am pleased to be here today.

I have a strong interest in the SBA's Microloan program, the Small Business Development Center (SBDC) program, the Small Business Institute (SBI) program, and the Service Corps of Retired Executives (SCORE) program, all of which operate successfully in Montana.

Let me first mention the Microloan program. The Women's Economic Development Group (WEDGO), in Missoula, is one of the SBA's original demonstration program sites for the Office of Women's Business Ownership.

Montana, by the way, ranks third in the nation in the number of loans to women. The entrepreneurial spirit is alive and well in my state, and it is organizations like WEDGO that help these dreams to come true.



I have a statement here from Kelly Rosenleaf, WEDGO's director, that I would like to enter into the record. Kelly has several relevant comments about the proposed changes to the Microloan program.

Another program that I support is the SBDC program. Through SBDC subcenters, business people can get advice and assistance. There are currently eight subcenters throughout Montana.

However, I think the program has a shortcoming for states like Montana, with smaller populations but large geographic areas: the funding formula makes it difficult to serve the needs of Montanans adequately.

For example, there is a strong need for four more SBDC subcenters in Montana, plus a serious need for expanded service to my state's seven Indian reservations.

I would like the Committee to know that I am interested in working towards an equitable solution for states like Montana. I am particularly interested in increasing the floor for SBDC funding.

Let me briefly touch on the Small Business Institute (SBI) program.

As an aside, I would like to congratulate Dr. Nancy Dodd and the rest of the SBI folks at Montana State University. For the 2nd consecutive year, MSU has won the 'National Undergraduate SBI Case of the Year'. Quite an accomplishment!

I would like to enter letters into the record from several Montanans, including folks from the University of Montana, Montana State University, and Eastern Montana College. I wholeheartedly agree with their concerns about the future of the SBI program.

As all the Committee members are aware, the SBI program is zeroed out in the fiscal year 1995 budget. I think I am not alone in saying that this is an area of concern. This is a cost-effective program and I would like to see it preserved.

Finally, I must mention the good work of SCORE. Last year alone, 675 Montanans were counseled by SCORE. I am impressed that, in Montana, SCORE volunteers—let me stress that word—contributed 1,886 hours of service last year. These business people share their experience with the folks who need it most, and they do it on their own time.

The funding for this program is modest—only \$3.5 million last year. Because the majority of these funds are used to reimburse volunteers for their mileage, I am worried that the scaling back of funding will prevent SCORE volunteers in my state from reaching folks in rural Montana. Rural dwellers need access to SCORE expertise.

Thank you, Mr. Chairman.



Department of Management and Economics  
 EASTERN MONTANA COLLEGE  
 1500 North 30th Street  
 Billings, Montana 59101-0298  
 (406) 657-2212  
 FAX (406) 657-2327

March 16, 1994

Senator Conrad Burns  
 SD-183 Dirksen Senate Office Building  
 Washington, D.C. 20510-2603

Dear Senator Burns:

First, let me express my appreciation for the telephone call from Tara Pryde of your staff yesterday afternoon. We certainly appreciate your office asking for Eastern Montana College's response to the SBA Administrator's plan to eliminate funding for the Small Business Institute Program (SBI). Personalized service from such a busy office certainly means a great deal to me as a constituent, and as an interested party in decisions relating to small business in Montana.

Ms. Pryde's call was quite timely. In fact, when she called I was in the process of putting together a package of letters and other information for use by businesses which had been served by our students and for the students themselves. We plan to actively resist any attempt to reduce funding for the SBI Program.

It is our opinion that the loss of the SBI program would have an immense impact on Montana and national businesses, as well as on Eastern Montana College and its students. Unfortunately, reduction of funding for the SBI Program also fits into a frightening pattern. Let me provide you some details.

#### Nationally

At the national level, large businesses have shed hundreds of thousands of workers in the past decade. Yet since virtually all large businesses are in the process of "downsizing," these unemployed Americans are not likely to find work in other large firms. That means that they either enter the public welfare rolls or find employment in small business. The continuing general health of our economy and our relatively modest unemployment rate are strong evidence that these people are either creating small businesses or are employed by small businesses. According to *The State of Small Business* published by the SBA in 1992, "from 1988 to 1990, small firms created **all of the net new jobs in the economy** and most of this growth has occurred in firms with fewer than 20 employees." Why would we want to eliminate a program which works directly with these people in the creation and growth of their small businesses?

#### Montana

You know that **business in Montana is small business**. This is true in other states, too. To a relatively new Montanan who moved here from the populous state of Texas, the contrast in the average size of businesses is striking. Most of the businesses that we consider big in Montana and other similar states still fall within the SBA's definition of small businesses. The owners of these small businesses are seldom trained in business principles, and have a really difficult time creating business plans or performing long

range planning. Yet, with the help of students and professors from Montana universities, these business people continue to create jobs, pay taxes, and add to the gross national product of this nation. Often the services or products of these small businesses are of higher quality than those produced by America's large businesses. In two neighboring buildings in the small town of Big Timber, for instance, one can find Bunton Precision Machining and Shiloh Sharps. Bunton Precision Machining is probably the world's leader in the production of titanium components. In their modest building, they produce the world's highest quality titanium products and can sell at lower prices than any other producer. Students from Eastern Montana College helped this firm recognize a need to market differently which probably saved the business a few months later. Next door, the Shiloh Sharps firm manufactures beautiful replicas of the Sharps Buffalo Rifle. His business is so successful that customers pay \$1000 down and wait three years for the final product to be delivered. Does it make any sense to remove a source of assistance to these small but healthy firms which add so much to our country's economy?

#### Eastern Montana College

Through participation in SBI projects, business students at Eastern Montana College find an opportunity to test the business concepts they have used in the final test laboratory, a functioning business. We feel the SBI experience is so important in developing future business leaders that we require every student to complete an SBI case as a requirement for graduation. Through participation in the case, students learn both the practical implications of business theories and the benefits of returning something to society. On a scale which runs from 1 to 7, it is rare for clients to rate student performance lower than a 6. Remember that SBI cases are performed at no expense to the client. That means that we stretch the \$500 per case grant to cover research, photocopying, telephone calls, and travel to client locations as distant as Kalispell and Glendive. If the businesses were to hire professional consultants for these services, the average consulting time of over 100 hours per case would cost them over \$4,000 each at a very conservative rate. The SBI program serves as a model for our other classes, too. Even without SBI funding, students in other classes work with small businesses in Montana as part of their education. In total, tiny Eastern Montana College (4000 students) provides free assistance for approximately 100 businesses per year. The elimination of funding for this program, Senator Burns, would save only \$500 for each of the 28 cases we complete each year while taking away benefits to a struggling small business and from 2 to 7 business students. Can you think of any other federally-funded project with this sort of multiplier effect?

#### A Frightening Pattern

Though I do not consider myself to be a close observer of the political scene, this is the third instance I can recall in which the actions of the Clinton administration have proven potentially disastrous to small business.

☐ The first was the administration's proposed health care plan, which would put such an immense burden on very small firms that hundreds of them will be forced out of business. Even the proposed government assistance to small business will not be enough to counter the disastrous consequences of the plan.

☐ The second event is the administration's drastic increase in license fees for sellers of firearms. Regardless of the administration's intentions, how many mom-and-pop businesses has this one decision closed in Montana and elsewhere?

• The third, of course, is the announced plan of the Administrator of the SBA to eliminate funding for the SBI Program. Certainly we need to find programs to cut. But if the President is talking about \$100 million for job training, isn't it rather ridiculous to be cutting \$3 million which goes to job creation?

#### **SBI's and SBDC's are Different and Complementary**

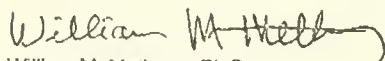
I realize that the SBA's Administrator is relatively new to the job, and that his role has been expanded beyond that of any of his predecessors. That probably explains why he erroneously feels that the Small Business Institute Program (SBI) and the Small Business Development Centers (SBDC) duplicate one another. In many places, the SBI and SBDC are co-located. In Billings, as you know, the SBI is at Eastern Montana College and the SBDC is co-located with the Montana Tradeport Authority. SBDC's meet with small business owners and provide assistance to them, generally for a short period of time. The SBI Program:

- Provides free consulting and other assistance to qualified businesses.
- Works with client businesses for an entire academic term.
- Uses senior-level business students guided by a professor.
- Creates new entrepreneurs from students exposed to small business.
- Links students' studies to actual business situations.
- Is the only SBA Program with tangible, measurable deliverables.
- Does not duplicate any other federal program.
- Is extremely cost-effective.

In closing, Senator Burns, let me recount what has happened to business in America in the past 15 or 20 years. Our large firms had become so bloated and complacent 20 years ago that small foreign firms came in and took away market after market from the slumbering giants. Our new foreign competitors were small, nimble, and concerned with creating high-quality products and services. Though some American firms met the challenge with improved quality, many responded with deep cuts in jobs. That means fewer jobs, higher unemployment costs, lowered tax revenues, and an increasingly unfavorable trade balance. Yet many of these results occurred only for a limited time. Why was this trouble only short-term? Senator Burns, these newly unemployed Americans went out and created small, nimble, innovative businesses that could compete with anyone. They did this with assistance from SBDC's, from SCORE, and from SBI Programs throughout the nation. Do we really want to eliminate such a wonderful source of assistance to our economy for just over \$3 million in savings per year.

Let me thank you and your staff for the opportunity to present you with our view on this issue, Senator Burns. The faculty and students of Eastern Montana College wish to encourage you and the other members of the Senate Small Business Committee to support full funding for the SBI Program for the coming fiscal year.

Sincerely,



William M. Matheny, Ph.D.  
Assistant Professor and Director, Small Business Institute





## College of Business

408 Reid Hall  
Montana State University  
Bozeman, MT 59717-0304

Telephone 406-994-4421  
FAX 406-994-6206

March 15, 1994

The Honorable Conrad Burns  
United States Senate  
Washington, D.C. 20510

Post-Net brand fax transmittal memo 7671		# of pages » 2
To	Tara Pryde	From
Co.	U.S. Senate	Co.
Dep.	Conrad Burns' Ofc.	Phone #
Fax #	202-224-2594	Fax #
		406-994-6195
		406-994-6206

Dear Senator Burns:

The demise of the Small Business Institute (SBI) program is planned for September 30, 1994. The Administrator of the Small Business Administration (SBA), Erskine Bowles, has requested that Congress kill the SBI program at the end of the 1994 fiscal year. I am writing to you in your position as Senate Small Business Committee Member and U.S. Senator from Montana to request your support for the SBI Program as a separate budget item within the SBA budget for fiscal year 1995 and continuing. The SBI program has many unique attributes and fulfills a need throughout the U.S.

In my position as a Montana State University (MSU) College of Business faculty member I serve as the SBI director and supervise all MSU student cases. We are contracted to consult with 25 small businesses per year, but like many other institutions we often conduct more cases than specified in our contract. The need for small business consulting is acute, and this need is particularly visible in Montana where the vast majority of businesses are small. Many of our students plan to open their own businesses, and their experience analyzing a local business helps them hone their skills toward this end. The experience helps the students avoid many of the pitfalls entrepreneurs encounter as well as helping the students work through typical problems faced by a small business. By the time the project is completed the students feel they have not only been through a real educational experience but have also provided a significant service to an actual business.

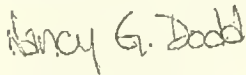
The clients assisted by the student teams also feel they have been well served. Following the presentation of the findings and recommendations, the clients almost invariably say they received much more than they expected regarding analysis, interpretation, and useful recommendations. Many clients make significant business decisions based on the results of the SBI projects.

March 15, 1994  
Page Two

The service provided by SBI programs is distinct from that provided by SCORE or SBDC programs. Small Business Institute programs provide intensive individualized service to small business owners, doing everything from feasibility studies to business plans to marketing research to financial analysis. This assistance comes at a bargain price for everyone concerned. In the SBA Helena District Office Fiscal Year 1993 Annual Report it was reported that SBI programs in Montana provided 15,084 counseling hours and SBDC programs provided 35,066 hours. The SBDC counseling was provided at \$9.12/hour and the SBI counseling was provided at \$3.23/hour.

As Director of the program which has won the National Undergraduate Case of the Year Award for the past two years (1992 and 1993) I believe the SBI program serves an important purpose in Montana and throughout the country. I encourage you to resist the elimination of funding for this program in order to continue to serve present and potential small business owners as well as the students who will be running those companies in the future.

Sincerely,



Nancy G. Dodd, Ph.D.

SBI Director and Assistant Professor of Human Resources

cek



School of Business Administration  
The University of Montana  
Missoula, Montana 59812-1216

(406) 243-4831  
(406) 243-2086 FAX

March 15, 1994

Senator Conrad Burns  
Washington, D.C.

Dear Senator Burns:

The SBI Program is an invaluable asset to the small businesses and business students in western Montana. The services that the students provide to businesses generally are not available through other resources in our area. In a typical year the SBI program at the University of Montana serves over 50 businesses in our region. More than 100 students gain critical business and consulting skills through the program.

We have heard that funding is being threatened for the SBI program. The businesses in Montana and the students at the University will suffer a tremendous loss if this program is discontinued. The small investment of \$500 per business that the Small Business Administration provides to this program is supplemented indirectly by state funds, making it possible to run an excellent program. This results in a tremendous return economically based on the improved financial performance of the many companies that the SBI program serves. The return on this investment continues to grow with time. Stronger small businesses stimulate the local economy with increased wages, investments and tax returns, so that this program is one that pays for itself.

We have files filled with testimonies of appreciative clients who feel they received tremendous service from the students. We would ask that you reconsider closing this program that benefits our local economy to such a great extent.

Sincerely,

Paul Larson  
Director, Small Business Institute

sr

cc Dean Larry Gianchetta

KEN L. THUERBACH  
116 MAIN STREET  
P.O. Box 65  
VICTOR, MONTANA 59875  
—  
TELEPHONE (406) 642-3451

March 16, 1994

Senator Conrad Burns


FAX: 202-224-8594

Dear Senator Burns:

Universities around the country are a tremendous resource supported by taxpayer dollars through grants and governmental programs. The Small Business Institute allows small business (the Number 1 employer and tax base in the US) to develop and to call upon resources currently in existence.

Please do what you can to keep this program alive. It is cost effective and it works.

Sincerely



Ken L. Thuerbach, Director  
MONTANA SCIENCE & TECHNOLOGY ALLIANCE  
MONTANA ENTREPRENEURSHIP CENTERS  
MONTANA PRIVATE CAPITAL NETWORK





3/16/94

The Honorable ~~Senator~~  
 United States ~~Senate~~  
 SD-183 Dirksen ~~Senate Office Building~~  
 Washington, D.C. ~~20510-2603~~

Billings Office  
 Eastern Montana College

Dear Senator Burns,

Re: Small Business Institute (SBI)

Conrad, it has come to my attention that a suggestion has been made to discontinue the SBI program because of a mistaken belief that it is duplicative. As the Regional Director of the Montana Entrepreneurship Center, I try to help many Montana small business people. Approximately 70% of my clients are existing businesses, and usually these are businesses that need help to expand or deal with a "life threatening" business problem. Most often these firms are "tight" on cash and cannot afford to pay consultants.

These are the people we try to help, and oftentimes help immensely, here at E.M.C. through the S.B.I. Surely, helping businesses survive and expand is good for our economy. My opinion is that this program, possibly more than any other government program, is needed, utilized, and relatively cost effective compared to most other government programs.

The S.B.I. provides a win-win situation for the business owners and the students. The students receive invaluable "hands on" business experience, and businesses receive much needed help and expertise.

Conrad, I am the editor and publisher of the Montana Entrepreneurship Center's Newsletter. In the last issue of the newsletter, I asked Dean Kerby, E.M.C., to write an article about the S.B.I. I am including a copy of this article to provide additional information to you and your staff. I am confident that you will want to fight to support this program once you are apprised of how it works and who it serves. The S.B.I. is definitely good for Montana. I hope you agree. If I can help in any way with this issue, please do not hesitate to contact me.

Sincerely,

David J. Krueger, Billings Regional Director  
 Montana Entrepreneurship Center, Cisel 001  
 Eastern Montana College  
 1500 N. 30th St.  
 Billings, Mt. 59101-0298

#### Enclosure

Bozeman Office  
 Reid Hall  
 Montana State University  
 Bozeman, MT 59717  
 (406) 994-2024

Central Office Missoula  
 Suite 204, McGill Hall  
 University of Montana  
 Missoula, MT 59812  
 (406) 243-4009

Billings Office  
 Poly Building  
 Eastern Montana College  
 Billings, MT 59101  
 (406) 657-2813

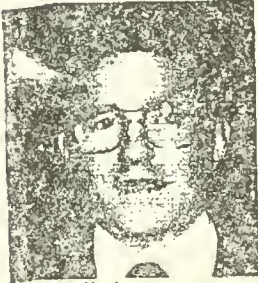
# Help Your Business Succeed

In this section we'll profile a few of these resources that can make the critical difference for your business.

## THE SMALL BUSINESS INSTITUTE

### WIN - WIN - WIN

By J. Kent Kerby, Dean, School of Business and Economics



J. Kent Kerby

The word "struggle" is an accurate descriptor of what entrepreneurs, especially those just getting started, do. There is no remedy for this state of affairs, but there are a number of ways in which this struggle can be shared with talented people who are interested in helping small businesses succeed. The major difficulty is informing

"strugglers" that help is available. This article is designed to reveal what appears to be a well-kept secret, which when understood can become a great "struggle mitigator."

The federal government annually sets aside a "pool" of our taxes to assist small business enterprise. A portion of these funds goes to support a program known as the Small Business Institute. Sponsored by the U.S. Small Business Administration, this program awards expense money to colleges and universities to conduct case studies for small businesses. These cases are as varied as the business world itself, ranging from creation of an accounting system to laying out a production facility.

Cases are conducted by students working in teams as part of their regular coursework. For example, in a Market Research course students would form groups and might conduct some research for a company interested in determining perceptions of the company held by people in the area. The students work the entire semester on this case, along with regular coursework, and present the results of their work to the "client" both orally and in writing.

An interesting feature of this program is that the client pays nothing to have all this work done. The stipend from the SBA is expected to cover any cost that might be incurred by students, so it is easy to see how the client wins. The students also win because they have an

opportunity to work on a live project and they are motivated to work hard because there is a good possibility the client will act on their recommendations. The sponsoring college or university wins, not only through students' enriched educational experience, but also through the institution's enhanced contacts with members of the business community.

Here is a cooperative program that works; and everyone who participates wins. To participate simply contact the college or university nearest you and ask to be connected with their friendly SBI Director, or contact any of the Montana Entrepreneurship Center's Regional Directors on the campuses of Montana State University in Bozeman, The University of Montana in Missoula, and Eastern Montana College in Billings.

*Dr. Joe Kent Kerby was appointed Dean of the School of Business and Economics at Eastern Montana College in August of 1992. Dean Kerby received a Bachelor of Science degree in Marketing from Brigham Young University in 1959, an MBA from Northwestern University (Chicago) in 1960, and his Ph.D. from Columbia University (New York) in 1966. Prior to coming to Montana, Dr. Kerby has served as Dean, Acting Dean, and Professor at numerous colleges and universities, including Oregon State University, Seton Hall University, Miami of Ohio University, Northern Michigan University, Western Carolina University, Eastern Michigan University, and Buena Vista College at Storm Lake, Iowa. Dr. Kerby's background also includes extensive consulting experience with private enterprises.*



March 16, 1994

Senator Conrad Burns  
U.S. Senate  
SD-183 Dirksen Senate Office Building  
Washington, DC 20510-2603

Dear Senator Burns:

Having just learned that the U.S. Small Business Administration's Small Business Institute (SBI) program is being considered for abolishment, I am writing on behalf of the Montana Entrepreneurship Center to express strong opposition to this action.

I have had the opportunity to work closely with the SBI program on many occasions over a period of at least 10 years -- first as a student participant, and later as a business counselor. In the latter capacity, I have helped initiate many SBI projects and worked with dozens of business owners who have benefitted from SBI projects. Regardless of the perspective taken, the SBI program is an invaluable resource which Montana and all states should not lose.

The SBI program plays somewhat of a different role in Montana than in other states, in large part because the university system is not responsible for both the SBI and the small business development center (SBDC) program. In states where SBI and SBDC fall under the purview of a single organization, there is certainly room for abuse, and it is unfortunate if such abuse has occurred. In Montana, however, these two programs play different, equally important roles, and both have repeatedly demonstrated their value to the state's small business community. Nothing better exemplifies the SBI's success than the fact that Montana has produced national award-winning SBI projects for the last two years!

Proponents of abolishing the SBI program tend to look only at the "giveaway" component, rather than looking beyond to the greater benefits the program offers both to the business community and to the business student. In Montana and presumably many other states, the SBI program is an important source of detailed, skilled research in such areas as business planning, marketing, advertising, and accounting. Rather than duplicating the services offered by SBDCs and other business assistance programs, the SBI program actually supplements these other services, whose staff are usually so busy they cannot keep up with the demand for help. Thus, taking away the SBI program may save a few dollars, but it will most assuredly worsen an already clogged service-delivery system.

Bozeman Office  
Reid Hall  
Montana State University  
Bozeman, MT 59717  
(406) 994-2024

Central Office Missoula  
Suite 204, McGill Hall  
The University of Montana  
Missoula, MT 59812  
(406) 243-4009

Billings Office  
Poly Building  
Eastern Montana College  
Billings, MT 59101  
(406) 657-2813



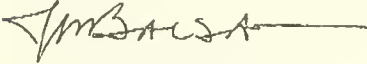
Senator Conrad Burns  
March 16, 1994  
Page 2

SBI opponents fail to consider the value of the SBI experience to the student as well. Most students who have taken an SBI course and been assigned to work with a business will say the experience was one of the most valuable learning activities of their college curriculum. SBI gives these individuals a chance to put aside their textbooks and begin to apply the techniques and concepts they have been studying for several years. It also gives these prospective entrepreneurs a chance to see first-hand what actual business ownership and management entails.

As an advocate of the entrepreneurial spirit that is increasingly the driving factor in this country's business revitalization, the Montana Entrepreneurship Center strenuously opposes the proposed abolition of the SBI program. Loss of this resource would be a large step backward in Montana's and other states' efforts to encourage and assist small business growth and development. Hopefully, we can count on your support for continuation of this valuable program.

Thank you in advance for your assistance with this matter. As a leader in the Senate and a Congressman who has repeatedly stood up for the small business sector of our economy, your input and that of your colleagues will be critical in seeing that the SBI program remains intact.

Sincerely;

A handwritten signature in dark ink, appearing to read "JBalsam", with a long horizontal line extending to the right.

John W. Balsam, Director  
Missoula Regional Office

A Working Solution  
P.O.Box 4114  
Missoula, MT 59806.

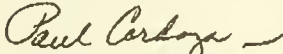
March 16, 1994

Senator Conrad Burns  
Washington, D.C.

Dear Senator Burns,

I own/manage a small business in the state of Montana. I came to know that the federal government is planning to shut down the SBI program nationwide. It has been a great source of help to my business over the past years. The services that I have received, was beneficial to our business. I look forward to using this service in the near future. I whole heartedly support this program to continue.  
Thank you.

Sincerely,

  
Paul Cordoza, Owner

Missoula Goodwill  
1029 North Avenue West  
Missoula, MT 59802.

March 16, 1994

Senator Conrad Burns  
Washington, D.C.

Dear Senator Burns,

I own/manage a small business in the state of Montana. I came to know that the federal government is planning to shut down the SBI program nationwide. It has been a great source of help to my business over the past years. The services that I have received, helped my business to grow and improve its stability. I whole heartedly support this program to continue.

Thank you.

Sincerely,

  
Ray Chapman, Manager



Wild Rose Pottery  
2387 Meridian Road  
Victor, MT 59875

March 16, 1994

Senator Conrad Burns  
Washington, D.C.

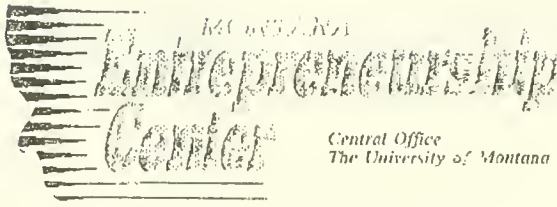
Dear Senator Burns,

I own/manage a small business in the state of Montana. I came to know that the federal government is planning to shut down the SBI program nationwide. It has been a great source of help to my business over the past years. The services that I have received, was beneficial to our business. I look forward to using this service in the near future. I whole heartedly support this program to continue.  
Thank you.

Sincerely,

*Dona Roberts*  
Dona Roberts, Owner

Post-It™ brand fax transmittal memo 7671		# of pages » 3
To Senator Burns	From Paul Larson	
Co.	Co. Univ. of MT	
Dept.	Phone # 401-243-10840	
Fax # 202-224-8594	Fax # 401-243-2084	



March 16, 1994

Senator Conrad Burns  
U.S. Senate  
SD-183 Dirksen Senate Office Building  
Washington, DC 20510-2603

Dear Senator Burns:

Having just learned that the U.S. Small Business Administration's Small Business Institute (SBI) program is being considered for abolishment, I am writing on behalf of the Montana Entrepreneurship Center to express strong opposition to this action.

I have had the opportunity to work closely with the SBI program on many occasions over a period of at least 10 years -- first as a student participant, and later as a business counselor. In the latter capacity, I have helped initiate many SBI projects and worked with dozens of business owners who have benefitted from SBI projects. Regardless of the perspective taken, the SBI program is an invaluable resource which Montana and all states should not lose.

The SBI program plays somewhat of a different role in Montana than in other states, in large part because the university system is not responsible for both the SBI and the small business development center (SBDC) program. In states where SBI and SBDC fall under the purview of a single organization, there is certainly room for abuse, and it is unfortunate if such abuse has occurred. In Montana, however, these two programs play different, equally important roles, and both have repeatedly demonstrated their value to the state's small business community. Nothing better exemplifies the SBI's success than the fact that Montana has produced national award-winning SBI projects for the last two years!

Proponents of abolishing the SBI program tend to look only at the "giveaway" component, rather than looking beyond to the greater benefits the program offers both to the business community and to the business student. In Montana and presumably many other states, the SBI program is an important source of detailed, skilled research in such areas as business planning, marketing, advertising, and accounting. Rather than duplicating the services offered by SBDC's and other business assistance programs, the SBI program actually supplements these others services, whose staff are usually so busy they cannot keep up with the demand for help. Thus, taking away the SBI program may save a few dollars, but it will most assuredly worsen an already clogged service-delivery system.

Bozeman Office  
Reid Hall  
Montana State University  
Bozeman, MT 59717  
(406) 994 2074

Central Office - Missoula  
Suite 204, McGill Hall  
The University of Montana  
Missoula, MT 59812  
(406) 243 4009

Helena Office  
Banc Building  
Eastern Montana College  
Helena, MT 59601  
(406) 657 2818

Senator Conrad Burns

March 16, 1994

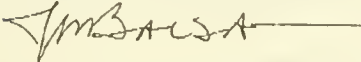
Page 2

SBI opponents fail to consider the value of the SBI experience to the student as well. Most students who have taken an SBI course and been assigned to work with a business will say the experience was one of the most valuable learning activities of their college curriculum. SBI gives these individuals a chance to put aside their textbooks and begin to apply the techniques and concepts they have been studying for several years. It also gives these prospective entrepreneurs a chance to see first-hand what actual business ownership and management entails.

As an advocate of the entrepreneurial spirit that is increasingly the driving factor in this country's business revitalization, the Montana Entrepreneurship Center strenuously opposes the proposed abolition of the SBI program. Loss of this resource would be a large step backward in Montana's and other states' efforts to encourage and assist small business growth and development. Hopefully, we can count on your support for continuation of this valuable program.

Thank you in advance for your assistance with this matter. As a leader in the Senate and a Congressman who has repeatedly stood up for the small business sector of our economy, your input and that of your colleagues will be critical in seeing that the SBI program remains intact.

Sincerely,

A handwritten signature in dark ink, appearing to read "JBALSAM", followed by a horizontal line.

John W. Balsam, Director  
Missoula Regional Office



Montana  
men's  
Economic  
Development  
Group



127 N. Higgins Ave. • Missoula, MT 59802 • 543-3550 • FAX (406) 721-4584

Senator Conrad Burns  
Senator Max Baucus  
Senate Small Business Committee  
Washington, DC  
March 16, 1994

Dear Senator Burns, Senator Baucus and Members of the Small Business Committee,

Please accept this letter as testimony for the hearing on the Small Business Administration Microloan Demonstration Program. I regret that I am unable to be in Washington to testify in person.

WEDGo is an Intermediary under the Microloan Demonstration program. WEDGo was initially one of the two grantees under the technical assistance program. WEDGo became an Intermediary in the second round of awards and is authorized to borrow \$200,000 to serve five counties in Western Montana. WEDGo has been making loans under this program since September.

WEDGo has been operating a microbusiness program since 1986 and has been lending since 1988. The outstanding portfolio is currently \$469,806. As of January 31, \$49,103 was outstanding to six borrowers in the SBA Microloan portfolio. Three additional loans closed in late February and two more loans were approved this week. WEDGo borrowers have created a total of 206 full time equivalent positions in their businesses.

WEDGo is supportive of the proposed change to move to a guarantee program because it offers an opportunity to modify the program to better serve its purpose. As the program is currently structured, Intermediaries must begin repaying the loan fund in the 13th month. This results in rapid decapitalization and does not allow the fund to revolve. Intermediaries then apply for a subsequent loan to continue offering this vital economic development service. Savings generated by moving to a guarantee program would allow the program to be restructured as a line of credit, thereby allowing the fund adequate time to mature and revolve before repayment begins.

We have spoken to area bankers regarding this transition and possibility of acquiring a loan with a guarantee from SBA if the proposed changes pass. Bankers were open to establishing a loan or line of credit with WEDGo under the condition that they be able to sell a portion of the loan on the secondary market. While WEDGo's current loan authorization is low, the legislation allows up to \$1.5 million. If WEDGo's loan size grew to \$1.5 million banks would need to sell a portion on the secondary market, as they currently do with other SBA loan guarantees. Care must be taken in the structure of the guarantee to allow this possibility.

WEDGo has a concern about existing regulation limiting technical assistance services to borrowers. Ten percent of the technical assistance can be spent on non-borrowers. WEDGo believes that all applicants should be able to receive technical assistance under this program. The nature of the business is that we must see approximately eight applicants to produce one successful borrower.

The 10% figure seems arbitrary and unrelated to the experience of the field. Additionally, it creates administrative recordkeeping complexities which are unrelated to service delivery. WEDGo supports the condition that the technical assistance provided be linked to the lending program, however, we believe technical assistance should be available to all applicants.

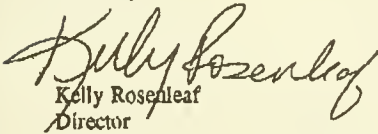
I want to close with a couple of stories about WEDGo's SBA Microloan borrowers to help you understand how this program is succeeding in Montana.

Deserie Bruce and George Humiston borrowed funds to purchase equipment, inventory and to fund initial operating expenses for their manufacturing business in Mineral County. The business manufactures temperature sensing devices. This business currently employs 8 people and anticipates employing as many as 25 within the next three years. Mineral County has just experienced a timber mill closure resulting in the loss of 160 jobs in this sparsely populated area. Replacement businesses are critical to stabilizing the economy.

Dodie Moquin and her husband played for several years in a Missoula band while Dodie completed her college education. The Moquins have three daughters. The band broke up and Dodie got a job in a social service agency. Her husband went to work for a retail store. Dodie missed performing so she developed a business plan for a travelling disk jockey and karaoke service. Her business offers entertainment for weddings, dances, Christmas parties and other events. Dodie has successfully marketed her business and is ahead of projections in sales, in large part due to her enthusiastic and professional service delivery. Dodie hopes that she can reduce her hours at the social service agency as her business grows.

Please call me if you have any questions about WEDGo, our services or the comments I've made about the SBA Microloan program.

Sincerely,

  
Kelly Rosenleaf  
Director

The CHAIRMAN. Thank you, Senator Burns. Senator Bennett, do you have an opening statement that you would like to make?

Senator BENNETT. No, sir. I am here to listen.

The CHAIRMAN. Senator Kempthorne, do you have any questions for witnesses?

Senator KEMPTHORNE. I do, Mr. Chairman. Ms. Pulley, you covered it, but I would like you to just go back for a moment to the Small Business Institute. In the video that we saw it pointed out that an integral part of this program is giving training to these new, fledgling entrepreneurs.

So, how are you proposing that we will fill that void with the elimination of SBI?

Ms. PULLEY. First of all, the Microloan program carries its own technical assistance component. It is legislatively mandated that each intermediary be required to provide technical assistance. And in our budget, in addition to the budget authority for the loans to the microlender itself, there is also a 25 percent of the loan amount requirement, a grant to the microlender to provide technical assistance.

So, each microlender of each microloan borrower will get technical assistance, often before the loan is even given.

That is separate and apart.

In addition, our Small Business Development Center program, which operates in 56 sites, major centers, and over 900 subcenters around the country, provides technical assistance directly to small businesses.

The Small Business Institute program is operated out of schools, and it is more directly related to a case study approach, if you will.

Certainly all of these programs reach valuable segments of the small business community and the population, but our situation is one of having to face budgetary constraints. And we had to make some sort of determination as to which programs we could most efficiently and effectively fund.

In the course of our reorganization and our focusing on a number of initiatives that President Clinton has given to us, we have focused more on the Small Business Development Center partnership because it is one of our most extensive in terms of the network. And we are hoping that we will be able to compensate for the loss of the Small Business Institute Program through our Small Business Development Centers, primarily because most of our SBDCs are located in universities.

As I mentioned earlier, over 35 percent of our SBIs are also Small Business Development Centers, so that we think that over time we will be able to compensate for that loss.

Senator KEMPTHORNE. And just as a final comment along with what you just said, there is certainly a wonderful opportunity here for those upper level business students to have some first-hand experience with entrepreneurs to see real live case studies that they can participate in, and that certainly enhances their education.

Ms. PULLEY. Certainly.

Senator KEMPTHORNE. Thank you.

The CHAIRMAN. Senator Bennett?



Senator BENNETT. Thank you, Mr. Chairman. Ms. Pulley, I would like to talk with you for a minute about the proposal of the \$15 an hour fee for the SBDCs and their consulting services.

I can understand the budgetary pressure that you are under, and I can understand the attractiveness to the folks at OMB to sit down with their sharp pencils and say, we have so many hours and we multiply that by \$15 and that will produce X amount of income, and is that not wonderful, and we will put it in the budget, and it all works out very well.

Having been a businessman, I understand the temptation to balance the proposal at the beginning of the fiscal year when you are making your budget projections for the coming year, and I also understand that reality very often intrudes.

What you are talking about here, in business terms, is a very significant price increase from zero to \$15. I do not think you can calculate that mathematically in percentage terms.

Have you any studies that would indicate what kind of a chilling effect that this would have in terms of people coming in and using these services that would say they could not or would not pay the \$15 an hour?

Ms. PULLEY. No, sir. And, Senator Bennett, let me address one of the issues that you raised, and certainly our projections in terms of the amount of income this \$15 charge would generate was based on historical figures in terms of the number of counseling hours the SBDC has given.

Senator BENNETT. I understand that. That is what I said.

Ms. PULLEY. What we did was to use the most recent figures, which were from fiscal year 1993, which showed an increase over time. I mean, the counseling hours have increased as there are more SBDCs, as they have become more proactive, and as SBA is more proactive in terms of bringing small businesses into SBDCs for counseling.

In terms of developing the \$15 per hour fee, we used some numbers that are there. For example, the Minority Business Development Agency in the Department of Commerce charges between \$10 and \$50 an hour for similar counseling services. Then they buy that down based on the financial condition of the customer to somewhere to between \$10 and \$17.50. So, the \$15 was fixed within that point.

I think there are a number of options within the \$15 per hour charge. For example, a sliding scale, looking at some applicants who may not be able to pay and some who can, and charging accordingly. For each of those applicants who cannot pay, for example, there are a number of very successful companies that have come through the SBDC programs.

Perhaps a mentor relationship with those who have had benefit of free services who are now successful and profitable businesses could provide those services for those who are not able to pay. Again unlike SBIs, which provide over 100 hours of counseling service to a business, I believe the average counseling hours for SBDCs is somewhere in the 4 to 5 hours per customer range.

So, that is not unusual, it seems to me, for someone who has taken advantage of a free service provided essentially by the gov-

ernment, whether it is Federal or State, to then contribute back by giving counseling hours.

Certainly if we could continue to provide this service for free we would like to. We would love to be able to provide all of these services, and perhaps even provide more. But we are in a situation of trying to figure out how to meet a growing demand for all of SBA's services with our budgetary constraints. That was really how we came to that charge.

Senator BENNETT. I understand that. I would predict that you will find that the number of hours will go down, and that the charging for this service will not produce the kind of budget that you are projecting. Life being what it is, I think that is a fairly safe prediction.

I have another concern about it, and it comes from the people who are involved with administering the program, not those who would be coming in and being asked to pay. They say the administrative burden on their part of collecting the money when they have offices that do not have any facilities for collecting or handling money would eat up a large part of the revenue that would be generated.

We have offices in Utah where there is only one person in the office, and that one person is not currently equipped to receive, give a receipt for, make an account for, handle, deposit, forward, whatever verb you want, the money. So, those kinds of controls will have to be put in place.

The Federal Government being what it is, the immediate assumption will be that every one of those employees is dishonest and we will have to have some kind of control, some kind checking, some kind of accounting for the money.

The next question is, coupled with the first, have you done any kind of studies as to what kind of increased costs you are going to have when you put in effect a cash register in every one of these offices, the receipts of which are then going to have to be accounted for?

Ms. PULLEY. Senator Bennett, I believe in 1993 the SBDCs collected \$5.8 million in training fees for the training services that they are providing right now. I would imagine for those that are collecting fees they could use the same collection mechanism.

Senator BENNETT. For those I think you are correct.

Ms. PULLEY. In addition to that, a number of the SBDCs operate small business incubators in which they charge rent and fees for office and administrative support. So, the notion of fee collection within an SBDC is not a new concept.

I think that we have not internally developed a mechanism for how that is, but in addition to having to cut our programs we are also having to cut our staff, and we are looking across the board at making all of our administrative processes as simple and as straightforward as possible so that, certainly within the rules of fiduciary responsibility, we would not overburden the SBDCs in the collection, because if we overburden them we are overburdening ourselves in our own reduced resource environment.

So, we have not, again, developed any kind of collection mechanism, but certainly we would work with our partners to do that.



Senator BENNETT. I would only hope that expression of common sense could prevail throughout the entire bureaucracy.

I have a little less than complete confidence it will be the case, having had a lifetime of experience with bureaucracy.

You can see where these two questions lead me. If the imposition of a fee is going to cause the number of hours to go down, and the administrative costs of handling the money are going to cause the costs to come up, the net budgetary effect becomes less than projected. Let us not try to put a number on it, but I think that is a fairly safe projection.

If that is the case, then the value judgment that should be made is do we get less impact from these counseling hours in terms of new jobs created, new businesses helped, new entrepreneurial efforts launched of a sufficient volume as to make it economically unwise for us to impose the fee?

I am not arguing against the fee. I am trying to do a straight cash flow analysis as if this were a product of a business that I were the CEO of when the salesman came in and said, want to turn this from a loser into a real cash cow, boss? All we have to do is raise the price.

Every failing division of every failing industry has at one time or other come up with that solution as the way to solve the problem. And you come in and say, well, the way to solve our budgetary problem is to raise the price, and it is a fairly drastic raise. As I say, percentage-wise it cannot be calculated.

We are not going to resolve it here, and I raise the issue just to have you keep it in mind. I would hope in the various studies that you do of your own procedures you would pay attention to this because it may well be that with the raising of the price you price out of the market just those people whom this entire program is geared to help, and the kind of people who will still participate in the program and pay the money might well be the kind of people who could have gone someplace else anyway, and you are subsidizing in a way that is not creating entrepreneurial circumstances that would otherwise not exist.

I conclude by telling you that the objections that I have received to this program, and they have been fairly outspoken in their objection, have come not from the people who are going to have to pay the money, because frankly they do not know that they are going to have to pay the money so they are not in a circumstance in which they can object.

The objections have come from the people who are going to have to collect the money who have come into my office and said, we believe that the collection of this money will, number one, cut down on our effectiveness quite significantly.

And, number two, it will impose administrative burdens that we are currently not prepared to handle.

So, I would hope you take a long look at that one and be sure that you have at least some sense of the answer to those two questions before you proceed.

Ms. PULLEY. Senator, your point is well taken, and there are a couple of things I would like to follow up on, if I may.

The first one is that in terms of looking at the fee, again, if we could keep the program as it is at the maximum funding level we would love it.

Senator BENNETT. Oh, I understand that, sure. Life does not work that way.

Ms. PULLEY. Right. And the reality is, we recognize that there are some people now who are using this program who probably cannot afford to pay. There are also some people who are using this program for free who probably could afford to pay something.

Being your basic private sector capitalist, I think that people value what they have to pay for in some shape, form, or fashion. Again, I believe that there are ways that each SBDC can look at its community, its client base, and make a determination as to when there should be a fee and when there should not be a fee.

I also believe that those people who have had benefit of this program, who have gone on to be successful for-profit businesses who are growing and paying taxes and adding more employees can contribute to this program, because this program was provided by taxpayers, at both the Federal and State level.

So, again, I appreciate your comments, and I think in going forward if we are permitted to charge a fee that we need to take a careful look at it. And I think that in terms of your point about whether or not we will lose people, that can only really be answered over time.

Senator BENNETT. Exactly.

Ms. PULLEY. We can project accurately whether we will lose people. The only way to find out is to charge fees on a test basis.

Senator BENNETT. Yes, and I would hope you would do that, you would monitor this as it goes along, and perhaps come back to the Committee a year later and say we made a mistake.

Ms. PULLEY. I think that is more than reasonable.

Senator BENNETT. We have not been able to get Government to do that very often. Just a quick statement for my favorite hobby-horse, Mr. Chairman. We keep raising the rate on capital gains around here and keep watching the capital gains income go down, and keep wondering why. And I think that is because they are not willing to do what you have just committed to do and monitor the effect of your actions. So, I commend you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett, the capital gains rate is not going down—the money collected is not going down because of me.

[Laughter.]

The CHAIRMAN. I sold a farm the other day that I owned for 30 years, and by the time I got it all figured out I wondered if I was going to have anything left.

Ms. Pulley, let me just say, first of all, when you come here next year for an oversight hearing on this program it may not be nearly as rosy. That is a magnificent statement. Your losses of \$160,000 something is unbelievable. Creating jobs for \$3,875 is unbelievable. We would like to eliminate the unemployment rate in this country if we could create jobs for everybody for that amount of money.

But as we get bigger into this program the default rate will go up and we will have more problems. So, I want to make the record



clear that this is still an embryonic program. We are in the third year of a 5-year pilot program.

Having said that, one of the things that I think is going to cause the default rate to be even greater than it ought to be in the future is the interest rates that intermediaries are sometimes charging to the borrower.

You saw the videotape a moment ago, and you heard this woman say that she was paying something like 13.5 percent interest. In this day and time that sounds very high, particularly for poor people who are trying to start a business.

We will get into this when the intermediaries testify as to why they need that big a spread between what they are borrowing money from the Government for, and what they are turning around and reloaning it to these borrowers for.

But in all fairness, the average national rate on these loans is only about 10.85 percent. That is still a pretty high rate, but 10.85 when you consider the spread, and they have to pay all their overhead and everything out of the spread just like a business does.

In any event, having said that, I would like to follow up on a part of the questioning that Senator Bennett was into.

And that is that I doubt very seriously we are going to collect \$17 million by charging \$15 an hour to everybody who utilizes an SBDC.

While I think the SBDC program is a very good one and worthy of the acclaim it often gets, obviously a lot of people use it because it is free. When you start charging fees, a lot of people are not going to use it. Most of us will take something that is free where we would be very reluctant to pay anything for it. So, I think that figure is probably optimistic, to say the least.

Another thing I want to point out is we have the Community Reinvestment Bill on the floor right now, that is pretty much designed to cause local banks to loan more money in the community rather than buying bonds and Treasury bills, and while I will not do it this year, if you are successful in changing this program from a Government loan program where we loan money to the intermediaries, if you are successful in doing that, and I say, I want to think about that, and I want to talk to a few bankers about it.

But if that is in fact the case, next year I will probably offer at least a Sense of the Senate resolution encouraging community banks to loan money to these intermediaries, because I have this nagging suspicion that they are not going to be euphoric about making these loans. If we convert this to a bank lending program and the banks in fact do not want to make the loans, the program could go down the tube. So we need to know in advance, and we will hold hearings to find out whether banks are interested in this program or not.

Finally, I want to say that I think the formula on these SBDC grants probably ought to be revised. In Wyoming, I think the minimum grant is \$300,000, but it is a population formula, and sparsely populated western States like Wyoming found it was just not worth the effort to take a \$300,000 grant and try to operate a program. You could not possibly operate a program in Wyoming for \$300,000, so I think we ought to be looking at increasing that to

at least a \$500,000 minimum regardless of the population. Would you agree with that?

Ms. PULLEY. Senator, I do not know——

Senator BUMPERS. Are you aware of the fact that Wyoming dropped it because it was not enough money to mess with it?

Ms. PULLEY. And after raising matching funds it still was not sufficient, yes. I agree with you 100 percent that we need to rethink the formula. I think it penalizes underpopulated and very largely populated States tremendously. I am not sure about \$500,000 but I would certainly think \$300,000 is much too low.

Senator BUMPERS. Finally, you mentioned removing the cap on the number of programs Nationwide. I do not know that raising the caps is going to turn this program loose, but I worry about that a little bit. You have also suggested raising the caps on loans to intermediaries, not only how many intermediaries there are, but the loans to intermediaries, and removing the dollar limitation on how much microloan money each State can receive.

This program is off to a very good start, but I have seen other programs get off to a good start and because we just all went whole hog after that the first thing you know the program is in trouble.

I want to expand the program. I think the concept is unassailable. It has tremendous merit, and as you know, there is no welfare proposal, but I know the people who are dealing with the welfare proposal are talking about making this not a centerpiece but a very vital part of getting people off welfare. As I say, I am a fairly conservative businessman, and I was able to always curb my own grandiose ideas about what I was capable of doing, and it probably served me well.

Those are just some comments, Ms. Pulley. Your testimony is excellent, and we will look further into this during the authorization process.

Thank you all very much for being with us this afternoon.

Ms. PULLEY. Thank you, Mr. Chairman.

[Responses to questions submitted for the record follows:]



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416



Honorable Dale Bumpers  
Chairman  
Committee on Small Business  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

Enclosed are responses from Cassandra Pulley to the written questions submitted by Senator Larry Pressler and Senator Conrad Burns in conjunction with the March 17th hearing on the SBA's pilot Microloan Demonstration program and business development programs. I have also enclosed a corrected copy of the transcript from this hearing.

I hope the enclosed information is of assistance to you. Please do not hesitate to call upon me or Ms. Pulley if we can be of service to you or the Small Business Committee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kris Swedin".

Kris Swedin  
Assistant Administrator for  
Congressional & Legislative  
Affairs

Follow-up questions from  
Senate Small Business Committee  
Reauthorization Hearing  
on the  
Microloan program and business development programs

Cassandra Pulley, Deputy Administrator  
U.S. Small Business Administration

SENATOR PRESSLER

MICROLOAN PROGRAM

- Q: How much of an overall savings do you predict to result from switching from a direct lending program to a guaranteed loan program? Would the projected savings mainly be the result of decreased operating expenses?
- A: The savings will result from a decrease in program administration costs and a reduction in the subsidy rate. If the microloan program is switched from a direct to a guaranty program, we believe that it could double with no increase in personnel. With the direct program, additional personnel and administration costs would be needed. We expect these additional costs would amount to approximately \$600,000 if the program is doubled.
- Q: A microlender in South Dakota expressed some concern to me over whether microloan interest rates would remain low, regardless of the switch from direct loans to 100 percent guaranty. Can you assure this committee that such a policy change would not affect the microloan interest rates?
- A: Interest rates are controlled by the legislation governing the program. The cost of funding is equal to the rate charged against the 5 year Treasury bill rounded up to the nearest one-eighth. Under the current design of the program, interest rates fluctuate with the Treasury bill prices. Under the guaranteed design, this item would remain the same.
- Q: I understand that, nationwide, the average microloan size is \$7,500. I also understand that banks often are hesitant to make loans of this size, since the costs often outweigh the benefits. How much of an impact do you expect the 100 percent guaranty to have on banks' willingness to make microloans?



**A:** Currently, the nationwide microloan average remains in the \$10,000 range. While this is a small amount, we expect moving the program into a guaranty design will increase bank participation in low-end loans. However, keep in mind that under this program, banks will be lending to intermediaries, not to microborrowers. At present, the average amount of our loans to intermediaries is approximately \$374,000. Through the guaranty relationship, the intermediaries and the banks will broaden the base of bank services available to clients formerly not pursued by traditional lending and banking organizations. It is likely that banks making loans to intermediaries will also be willing to accept the intermediaries' clients as customers of basic services such as checking and savings accounts.

In addition, it is likely that the repayment rate of the microborrowers will reflect in the performance of the intermediary's loan. With a current success rate of 98.6, we expect banks to be encouraged to increase lending in the lower ranges.

**Q:** With each year, the Microloan program appears to be successfully increasing in size. However, the program still possesses a rather high subsidy rate of 10.15 percent. How confident are you that the subsidy rate will continue to drop?

**A:** The SBA believes that within the next year it will have enough data to pursue a much lower subsidy rate.

**Q:** In rural areas, purchasing commercial property is an affordable option for many small business start-ups. Current regulations governing the Microloan program prevent loans from being used for land or buildings. Do you think it is a good policy to allow microloans only to be used for working capital and other similar expenses?

**A:** The authorizing legislation for the Microloan Demonstration program, section 7(m) of the Small Business Act, states that proceeds from Microloans may be used for working capital and the acquisition of supplies or equipment. The use of proceeds from these loans for the purchase of real estate is not authorized.

The Agency believes that it probably is a good policy to limit the use of proceeds as now specified in the law. The authorized use of proceeds allows the small loans to have the greatest impact on the business operations of microloan borrowers. Also, because microloans are limited to \$25,000, there would be a relatively small percentage of real estate purchases that could be financed through this vehicle, and traditional sources of real estate financing should be more readily available.

- Q: You state in your testimony that the SBA Microloan program is ready for permanent authorization. I agree that the Microloan program has proven itself an effective program. Yet, even today we are faced with significant changes to its structure. Shouldn't the program have a chance to mature before it is made permanent?
- A: As the legislatively mandated demonstration program enters its final years it will be difficult to add intermediaries when the future of the program is uncertain. When the program first started, an organization had the knowledge and financial comfort that it had at least five years to recoup start-up costs, etc. Now, with two years to operate, the start-up of new intermediaries becomes less attractive. If there is some concern about making the program permanent while it is still evolving, perhaps an extension of the program would overcome the problem.

SMALL BUSINESS DEVELOPMENT CENTER PROGRAM

- Q. How do you justify a \$15 dollar an hour counseling fee at Small Business Development Centers?
- A. The proposed SBDC fee is a fiscal year (FY) 1995 budget initiative to increase revenues to the SBA, thereby reducing our appropriation requirement. In addition, we feel that because the current SBDC counseling and training services are offered free-of-charge, the customers do not always make efficient use of the counselors' time and energies. Having the customer pay a nominal charge for the services will force them to prepare for the session, thereby increasing the utility of the services and the efficiency of the program. Also, we firmly believe that the SBDC services are valuable to the customer. Therefore, a nominal charge of \$15 per hour is reasonable for the services received and below comparable commercial fees for similar services. The fees could be treated as an offset, either partial or full, to the funding level in an SBDC's cooperative agreement.
- Q. Won't the fee raise a small amount of money relative to the burden it will place on prospective small business owners, especially in lower income rural areas?
- A. The Agency believes the nominal charge of \$15 is reasonable and below rates charged by private consultants for similar services. We do not believe that this nominal fee will place an unreasonable burden on SBDC clients.

- Q. The \$15 dollar fee is certain to reduce the amount of time a business owner is willing to spend with an SBDC and it may discourage a prospective client from seeking the services of an SBDC altogether. How do you expect to raise \$17 million, when there is less demand for this program?
- A. We do not anticipate any significant reduction in usage of the SBDC program due to the charge of our proposed nominal hourly fee. In FY 1993, SBDCs provided close to 1.2 million hours of counseling to small business clients. If the \$15.00 fee is imposed, we expect that the number of counseling hours will drop only nominally. However, given the empirical data which shows increasing numbers of clients over the past five years utilizing SBDC services, we do not anticipate any fallout from the proposed \$17 million in fees.
- Q. In their testimony, the Association of Small Business Development Centers estimates that small businesses receiving the services of an SBDC generate approximately \$2.61 in tax revenue for every \$1 in operation costs. It appears as though SBDCs already are paying their own way. Through the user fee, is the administration trying to make the SBDC program a "cash cow" for costly, less successful programs in SBA?
- A. The administration is not attempting to make the SBDC program a "cash cow" for costly, less successful SBA programs. The proposed \$15 per hour counseling fee would be collected by individual centers and subsequently returned to SBA only. SBDC administrative costs would be paid from these fees. The intent of fees for SBDC counseling is to recover the administrative costs of the SBDC program and to make the service being provided more valuable to the client.
- Q. The current funding formula for SBDCs is based solely on population and disregards geography. This presents states like South Dakota--states encompassing a large geographic region, but with a smaller population--with limited funds to cover the additional expenses such as extensive travel. This formula may explain why the state of Wyoming has no SBDC. Has a more equitable formula--one that takes geographic hurdles into account--been considered?
- A. The Agency has not considered a funding formula that includes geographical considerations. Of course, any change in the funding formula would require legislation.
- Q. SBDCs may have difficulties making up for the proposed budget cuts. Would the new fee-for-service policy allow SBDCs to charge more than \$15 dollars an hour? If not, does the SBA plan to audit SBDCs in order to verify the centers are not overcharging for counseling services?

- A. The Agency's proposed fee-for-service policy does not include a provision for SBDCs to charge more than \$15.00 an hour. SBDCs are "audited" by the Inspector General's Office and are "examined" by the Office of SBDCs. A review of the charges for counseling services would be incorporated into the reviews conducted by both of these offices--if the fees are approved.
- Q. Is the SBA considering proposing adjustments to the funding formula for Small Business Development Centers that would take states like Montana which covers a large geographic area, into consideration?
- A. The Agency has not considered proposing adjustments to the funding formula. Any change in the funding formula would have to receive Congressional approval.

#### SERVICE CORPS OF RETIRED EXECUTIVES

- Q. The Administration's FY '95 funding request for the SCORE program is down 14 percent, or \$418,000, while the number of business people counseled by SCORE has risen steadily over the last several years. In light of the demand for the program, why the request for a funding decrease?
- A. This reduction returns the appropriation to the 1993 baseline. The FY '94 increase of \$418,000 was earmarked for the professional development training program which will be completed in FY '94. Therefore, this reduction should have no impact on counseling.
- Q. SCORE volunteers in my home state of South Dakota tell me they receive little clerical support. They often must look for volunteer secretaries and even pay for some office expenses out of their own pockets. Do you hear of problems such as these from other SCORE volunteers around the country? How are funds allocated to SCORE chapters for clerical support and other expenses?
- A. For those chapters co-located with SBA district offices, the district office budget is the source of clerical/administrative support. However, most chapters are not co-located with SBA district offices and no funds are provided by SBA for those chapters. The operating budgets for all SCORE programs, which reimburse volunteers for mileage and incidental expenses, is established by the National SCORE office, using the SCORE appropriation.



- Q. SCORE chapters receive no funding for advertising and marketing. How do business owners in need of help find out about the services available through SCORE?
- A. SCORE is marketed through a variety of publications, press releases, and promotional articles. The district offices of the SBA all refer pre-business callers to SCORE, as do SBDCs. SCORE is also publicized on SBA On-Line, the SBA's electronic bulletin board for small business.
- Q. Has the SBA considered funding the SCORE program based on productivity--for example, on the volume of the clients counseled?
- A. The overall level of counseling and training in the SCORE program does not vary significantly from year to year. However, the volume from chapter to chapter varies significantly. This is addressed in the allocations made by the National SCORE office.

Senator BUMPERS. Our next panel consists of four persons, Ms. Connie Evans, executive director of the Women's Self-Employment Project. Ms. Ellen Golden, senior program officer, Coastal Enterprises, Wiscasset, ME; Mr. Philip Singerman, president and chief executive officer of the Ben Franklin Technology Center in Philadelphia; and Mrs. Kay Gudmestad, president of WomenVenture, St. Paul, MN.

If we could, we are going to use the light system where a red light will come on after 5 minutes, so that we do not take too much time but will have an opportunity to ask the questions that are on most of our minds.

Did I leave somebody out as a witness here? Ms. Harper, you are with Mr. Singerman. Okay, fine.

Ms. Evans, please proceed.

**STATEMENT OF CONNIE EVANS, EXECUTIVE DIRECTOR,  
WOMEN'S SELF-EMPLOYMENT PROJECT, CHICAGO, IL**

Ms. EVANS. Thank you, Mr. Chairman and distinguished Members of the Senate. I am happy to have been invited to provide testimony regarding the SBA's Microloan Demonstration program.

Since 1986, the Women's Self-Employment Project has been assisting low and moderate income women to increase their economic self-sufficiency through self-employment and microenterprise. We were the first organization to adapt the Grameen Bank model to an urban setting and are the largest microenterprise program in the country targeting low income women.

As a recipient of the microloan program, WSEP, our acronym, has expanded its capital base and efforts in providing financing and enterprise development services to low and moderate income women throughout Chicago. WSEP has disbursed nearly \$700,000 with an average loan size of \$1,600 and repayment rate of 93 percent.

WSEP's customers include a woman on welfare who has used a series of small loans from WSEP, ranging from \$1,500 to \$7,000 to start a shoe business, and is now off welfare, and a designer who was able to use loans from WSEP to finance the manufacturing side of her business when she secured a lucrative contract with Spiegel.

Although the orders with Spiegel are indeed profitable, she would be unable to service those contracts without access to loans from our program because of the delay in payment schedules and investment costs needed to supply the orders. This borrower is now using \$10,250 from SBA microloan funds to finance the launching of two new fashion lines.

Each of these borrowers received extensive technical assistance prior to their loans, and continue to receive a variety of training and support through our program. The technical assistance received from WSEP assisted these women to negotiate their contracts, plan and problem-solve through the business operation the issues they face in trying to reach new and expanded markets.

I support the Committee's interest in providing and improving the microloan program, and have three recommendations I would like to make on that matter:

First, I would recommend and suggest that the structure of an intermediary loan be changed in such a way that allows the intermediary, the borrower, to come back to the SBA and reborrow, rather than deplete their capital by having to repay the principal in year 2 most likely from repayments that would come from our borrowers.

In essence, we are asking the SBA to set up some type of revolving loan facility for the intermediary. Actually, the proposed guarantee program may be a way of addressing this particular structural issue. However, there are so many questions remaining regarding that program, we are not really able to determine what effect it can have on this issue.

My second recommendation is regarding the technical assistance grants. I recommend that the technical assistance grants to the intermediaries remain at the current level. They should not be seen as a source to cut for cost savings. Losses would truly mount in the absence of technical assistance to the borrower, the entrepreneur.

Along with that, I would recommend that in addition to maintaining the current levels of technical assistance funds for intermediaries to support their customers, that the SBA change the definition of a borrower to include applicants so that training and technical assistance can be provided prior to the loan.

My third and final recommendation is regarding technical assistance to intermediaries themselves. As the largest source of Government funding presently devoted to microenterprise, the SBA must consider the capacity building requirements that go along with this type of demonstration.

I strongly suggest that the SBA mobilize practitioners to provide some of the needed technical assistance to other practitioners. Secondly, I would ask that they support the current microenterprise support mechanism that exists—for example, the Association for Enterprise Opportunity (AEO), a trade association of microenterprise programs—that the SBA engage AEO and others to assist with the development and delivery of a technical assistance and training agenda, and again suggest that the SBA continue authorization of technical assistance funds at 25 percent of the loan amount.

The guarantee program under consideration now by the SBA may allow for the microloan program to expand in the future. That expansion must be quality, and quality comes with capacity building of microenterprise intermediaries. Whether it is helping Judy work her shoe business to come off of welfare and remain off of welfare, or someone like Deborah to expand her designs of manufacturing, all of the women who come to WSEP are working for self-sufficiency.

I think the changes I have recommended help you to help us support that path they are traveling and expand opportunities for others to gain economic self-sufficiency. I have expanded on these recommendations in my written testimony that I ask to be submitted for the record. Thank you for your thoughtfulness in support of microenterprise development and for the opportunity to express my views.

[The prepared statement of Ms. Evans follows:]

PREPARED STATEMENT OF CONNIE EVANS

whr

Testimony Submitted to the Senate Small Business Committee  
March 17, 1994

Presented by: Connie E. Evans, Executive Director

Women's Self-Employment Project  
166 West Washington Street, Suite 730  
Chicago, Illinois 60602  
312-606-8255



Distinguished Members of the Senate, Senator Mosley-Braun from my home state of Illinois, and honored guests, I am happy to have been invited to provide testimony on the SBA's Microloan Demonstration Program. Since 1986, the Women's Self-Employment Project has been assisting low and moderate income women to increase their economic self-sufficiency through self-employment and microenterprise. We were the first organization to adapt the Grameen Bank model to an urban setting and are the largest microenterprise program in the country targeting low income women.

As a recipient of the Microloan Program, the Women's Self-Employment Project (WSEP) has expanded its capital base and efforts in providing financing and enterprise development services to low and moderate income women throughout Chicago. WSEP has disbursed nearly \$700,000 with an average loan size of \$1,600 with a repayment rate of 93 percent. Our capital base is \$225,000 from private foundation and individual investors, and \$750,000 from the SBA Microloan Demonstration. WSEP along with The Neighborhood Institute are joint grantees in the SBA program and have formed the Collaborative for Microenterprise Lending. From the Collaborative, a total of \$130,500 has been disbursed with an average loan size of \$8,160.

WSEP's customers include a woman on welfare who has used a series of small loans from WSEP ranging from \$1,500 to \$7,000 to start a shoe business and is now off of welfare. She will now be able to access SBA funds for her business. A designer was able to use loans from WSEP to finance the manufacturing side of her business when she secured a lucrative contract with Spiegel. Although the orders with Spiegel are indeed profitable, she would be unable to service the contracts without access to loans from our program because of the delay in payment schedules and the investment costs needed to supply the orders. This borrower, Debra Davis Designs, is now using \$10,250 from the SBA Microloan Fund to finance the launch of two new fashion lines.

Another borrower, Helen Crawley is a distributor of petroleum products. Although she has been in business since 1985 and earned a reputation as one of the most knowledgeable and respected women-owned fuel companies, she was unable to access capital from anywhere else. Helen's loan of \$15,000 from the SBA Micro Loan Fund is allowing her to expand into a larger workspace, to establish escrow accounts for vendors and for working capital needs.

Each of these borrowers received extensive technical assistance prior to their loans and continue to receive a variety of training and support through our program. The technical assistance received from WSEP assisted these women to negotiate their contracts and plan and problem solve through the business operation issues which they find themselves facing in expanding and servicing new markets. WSEP is providing them with all three of the essential elements of business: capital, information and support.

I support the Committee's interest in improving the Microloan program and have three recommendations to make on that matter.

1. Change the structure of the intermediary loan in such a way that allows the borrower, like WSEP, to come back to the SBA and re-borrow rather than deplete their capital by having to repay the principal in year two, most likely from repayments that come in from our borrowers.

Actually, the proposed Guaranty Program seems to address this particular hurdle faced now by the current structure. Last year, the Association for Enterprise Opportunity, of which I am a board

member, recommended the structure of the SBA "Greenline" Program as a potential model. Although I have come to understand why that is not possible and that the Guaranty Program is different from the Greenline program, the Guaranty Program should accomplish the same goals in allowing intermediaries a revolving line of credit over the ten year term. This will allow intermediaries like WSEP to concentrate on making the demonstration a success, and not to start cutting back on their capital base in year two. Some programs will be able to lend the SBA funds quicker than others, most of us intermediaries will not be able to achieve enough loan volume in two years in order to meet the debt service.

**2a.** The technical assistance grants to the intermediaries must remain at the current level and should not be seen as a source to cut for cost savings. Losses will truly mount in the absence of technical assistance to the end-borrower, the entrepreneur.

In fact, it is our experience and the experience in the microenterprise field that the provision of appropriate technical business assistance is essential to the small entrepreneur. An evaluation, conducted by the Aspen Institute, of seven leading microenterprise programs, one of which is the Women's Self-Employment Project, sites that "a critical element of the microenterprise development strategy is the training and/or technical assistance that agencies provide to clients. Agencies vary dramatically in the type and intensity of training they provide to clients." Nearly eighty percent (80%) of respondents in the study, all of whom were borrowers or potential borrowers, reported that the technical assistance received from their microenterprise support agency was useful.

**2b.** Along with maintaining the current levels of technical assistance funds for intermediaries to support their customers, I recommend that the SBA change the definition of "borrower" to include "applicants".

For a business creation and development finance program targeted at often less experienced individuals, many people need assistance in order to develop their business and marketing plan, the financial and cash flow projections, and other critical elements of a business. This is well beyond preparing "loan documents", but involves everything from pre-business training classes to assisting people through the process of developing a business concept, plan and financial projections. Even after completion of an entrepreneurial training program, it is not unusual for an entrepreneur to spend six hours in consultations before starting the loan process.

To insist that people borrow money before they are eligible for SBA supported technical assistance is actually a counterproductive policy in that it is better to put some technical support in first, and then make the loan - not vice versa. At present this limited definition creates an unhealthy incentive to make loans too soon with insufficient support. Given that an appropriate amount of technical assistance before a loan increases the chances of making viable loans, this change will have the effect of reducing total program costs and loan losses.

The provision of technical assistance by intermediaries will cost money, there is no way of getting around that fact. Many programs are finding cost-effective delivery mechanisms for the technical assistance they provide. For example, the Women's Self-Employment Project has a membership program that provides technical assistance to women in groups supplemented with individual consultation by staff and consultants, some paid and some volunteer.

3. My third and final recommendation is regarding technical assistance to intermediaries themselves. As the largest source of government funding presently devoted to microenterprise, the SBA must consider the capacity building requirements that go along with this type of demonstration. Organizations that have been practicing microenterprise development for several years now are facing the challenges of refining our methodology and management, developing new services as the needs of our customers change, and attaining organizational sustainability. Organizations who are new in the microenterprise field need to be brought quickly into the national microenterprise development community to gain access to the learning that exist and avoid the problem of re-inventing the wheel.

Practitioner exchanges are useful and should be accommodated, in addition to specialized technical assistance and training on issues from delinquency control to evaluation. The technical assistance needs of organizations will be limited, diverse and unpredictable and will differ significantly based on the age and experience level of the intermediary. Therefore, any mechanism established to serve these needs must be highly flexible and responsive.

I strongly suggest that the SBA :

- (a) mobilize practitioners to provide technical assistance to other practitioners;
- (b) support the current microenterprise support mechanism that exist, the Association for Enterprise Opportunity;
- (c) engage AEO and others to assist with the development and delivery of a technical assistance and training agenda;
- (d) continue authorization of technical assistance funds at 25 percent of the loan amount.

The Guaranty Program under consideration now by the SBA should allow for the Microloan program to expand even further. That expansion must be with quality, and quality comes with capacity building of microenterprise intermediaries.

Whether it is helping Judy work her shoe business to come off and remain off welfare or assisting Debra to expand her designs and manufacturing, all of the women who come to WSEP are working for self-sufficiency. I think the changes I have recommended help you to help us support the path they are traveling and expands the opportunities for others to gain economic self-sufficiency.

Thank you for your thoughtfulness and support of microenterprise development and for the opportunity to share my views.



**Women's  
Self-Employment  
Project**  
1, Washington St.  
Suite 730  
Chicago, IL 60602  
(312) 606-8255  
FAX: (312) 606-9215



**Board of Directors**

**Mary Houghton,**  
President  
Southshore Bank Corporation

**Gail C. Christopher,**  
Vice President  
Gail Christopher Enterprises

**Margaretta Delgado,**  
Vice President  
Windows of Opportunity

**Ann Becker,**  
Treasurer  
Ter & Associates, Inc.

**Angela D. Robinson,**  
Secretary  
Federal Reserve Bank of Chicago

**Valma Butler**  
Verne Butler and Company

**Uma Crisner**

**Lynne Cunningham**  
Southeast Chicago Development  
Center

**Julie Mamos**  
Julie Mamos and Associates

**Shanta Marshall**  
Stonyville

**Juan Poggi**  
South Shore Bank

**Caren Alyse Green**  
The John D. and Catherine T.  
MacArthur Foundation

**Persephone Miller**  
E. Morris, Ltd.

**Dorris Pickens**  
The Neighborhood Institute

**Conrad E. Evans**  
Executive Director

## *WSEP Works*

The Women's Self-Employment Project (WSEP) works. Our strategy focuses on microenterprise development. Microenterprises are very small businesses. They usually have one or two employees, including the owner, and require less than \$5,000 to start. WSEP serves low-income women entrepreneurs in Chicago. We offer training, support and capital to make their business plans come true.

In the mid-1980's, several concerned business women conceived of a program that would help other women achieve independent business success. WSEP resulted from their efforts. Since then, WSEP has achieved several landmarks, like creating the first group lending program for low-income, urban women in the U. S. Recognized nationally as an effective strategy that women can use to become economically self-sufficient, WSEP's innovations influence other microenterprise programs around the country. The organization and its staff members have received awards and recognition for their leadership in the field.

WSEPtional women come from low-income communities. They run their own households—usually with children and without a second income. Most WSEP participants are women of color; approximately 85% are African American, another 4% are Latina, and the remaining 11% are Caucasian. Though their success stories vary, all prove inspirational. One "WSEPtional woman" began selling shoes as a public aid recipient. Now she runs her own store. Her son studies accounting at school, and keeps her books for her in his spare time.

WSEPtional women do everything, from commercial photography to creating wearable art. These microenterprises provide accounting services, design clothing, cater formal events and sell office supplies. They prove that low-income women have the drive, talent and dedication to deliver themselves and their families from poverty. Recognizing that, WSEP has found an efficient way to give them the support, training and money they need.

WSEP's growth over the last seven years serves as true testimony to the program's viability and success. In 1986, WSEP had a total of 86 customers. Today, the organization's database holds information on over 1000 women; over 3500 total have accessed services. During WSEP's first year, we disbursed \$1000 in small amounts of capital called micro loans. Now that total has passed the \$600,000 mark.

over



The formula for WSEP's success includes the following programs and services:

- **Revolving Loan Fund** – \$100 to \$25,000 in capital for business start-up and operation.
- **Full Circle Fund** – a program through which women can access loans. With the Full Circle Fund, WSEP successfully adapted the group lending model from rural Grameen Bank in Bangladesh to Chicago's urban environment.
- **Entrepreneurial Training Program** – a more traditional program for accessing loans.
- **Women's Business Initiative** – WSEP's most recent self-employment welfare demonstration project, serving AFDC recipients throughout the city.
- **Business Expansion Program** – technical assistance and strategic planning for women whose businesses have been in operation for three or more years.
- **Public Policy Initiatives** – researching, documenting and educating people about barriers blocking women from economic self-sufficiency.
- **The E Group™ membership program** – provides members with access to purchasing discounts, additional industry-specific technical assistance, and networking opportunities.
- **African Refugee Project** – a project within the Full Circle Fund which targets African refugee women interested in developing a self-employment venture.

If you are Interested in joining Women's Self-Employment Project, and would like to register for an orientation, or if you would like to find out more about supporting WSEPtional women, please call us at 312-606-8255.

### Connie E. Evans

Connie E. Evans has nearly 15 years experience developing and implementing programs to further economic development, health and social change in low income communities. Her experience and expertise on the issue of microenterprise development has been nationally recognized and utilized by such groups as the World Bank, the Clinton Administration, a host of local government and community-based organizations throughout the country, and the "Oprah Winfrey Show". She is the founding Executive Director of the Women's Self-Employment Project in Chicago, the largest microenterprise program targeting low-income urban women in the country, and was first to adapt the internationally renown Bangladeshi Grameen Bank model to a US. urban setting.

Prior to WSEP, she was the Assistant Director of a Hull House Association affiliate and the Project Director for the first resident-managed public housing development in Chicago. Ms. Evans has lectured in colleges and universities throughout the United States and has been a presenter on numerous panels throughout the United States, Canada, South Africa, France and Nigeria. Her leadership and commitment to community service and social change has been recognized with the Chicago Gold Outstanding Citizens Award given by the Chicago Jaycees, the Chicago Community Service Fellowship Award by the Chicago Community Trust and in 1993, the Women's Self-Employment Project received the prestigious Sara Lee Foundation Spirit Award. She serves on a number of boards including the Ms. Foundation for Women and the Association for Enterprise Opportunity.

Senator BUMPERS. Thank you, Ms. Evans, for an excellent statement. Ms. Golden.

**STATEMENT OF ELLEN GOLDEN, SENIOR PROGRAM OFFICER,  
COASTAL ENTERPRISES, INC., WISCASSET, ME**

Ms. GOLDEN. Senator Bumpers, members of the Committee, thank you for inviting me to testify today. I am Ellen Golden, senior program officer for Coastal Enterprises, and also a board member of the Association for Enterprise Opportunity.

Coastal Enterprises is a private, nonprofit 501(c)(3) community development corporation which is located in Maine. We provide financing and technical assistance in the development of small businesses, social services, and affordable housing.

Under the SBA microloan program, CEI serves a predominantly rural, 10-county area in Maine. It is an area with significant poverty rates and high unemployment. Since closing our first SBA loan of \$750,000 at the end of September 1992, we have made 72 loans totalling somewhat more than \$900,000 to 70 businesses. That is an average loan size of about \$12,500. The full range of the loans is from \$1,800 up to the maximum of \$25,000.

I wish that I had more time here today so that I could describe to you some of our borrowers so that you could see, as we have, what the value of the program has been to Maine businesses. I have attached a profile of our portfolio to my written testimony.

Based on our experience with the program thus far, I would recommend two changes that I think would improve the operations of the program. The first would be to allow for greater flexibility in the use of technical assistance funds. I believe that intermediaries should be held accountable to their lending goals and to the performance of their loan portfolios, but I believe they should be given the flexibility to allocate the technical assistance funds in response to the needs of their markets and their organizations.

The second change I would recommend would be to extend the term of the loan to increase the ability of intermediaries to revolve the loan funds. As I am sure you are aware, intermediaries start repaying interest and principal at the beginning of year two. The repayment schedule rapidly reduces the principal available and limits the ability of intermediaries to revolve the funds in their communities.

We have also considered the administration's proposal, and while we are intrigued by the concept of converting a term loan to at least a partial line of credit to address the issue that I have just raised, we do not feel we can fully respond without a few more details.

We do think that it may increase the opportunity for us to build closer relationships to banks, and it may be a vehicle for us to encourage greater bank participation in microlending, but we are concerned with what will happen to the existing intermediaries should the transition occur.

In closing, I would like to share with you some information from a survey conducted by the Association for Enterprise Opportunity (AEO), which is a national trade association for microenterprise programs.

This past fall, AEO conducted a survey of the first 45 intermediaries to be authorized under the microloan program; 78 percent of the intermediaries completed the survey.

Among other things, we asked them to identify the changes that they thought would enhance the operations of the program. We asked them to identify their first and second priority changes. Their first priority was to increase the flexibility of the uses of the technical assistance funds. Intermediaries were interested in being able to allocate funds to cover program expenses as needed and also to retain consultants to provide specialized technical assistance when appropriate.

Their second priority was to change the structure of the loan, again to increase the capacity of the intermediaries to revolve the funds within their communities. We also asked the intermediaries to respond to the administration's proposal, and at the time of the survey there were even fewer details available about the proposal, so again, it was more of a reaction than a definitive response.

Some of the intermediaries saw the proposal as an opportunity to expand the program and were excited about that prospect. The majority of them, however, raised concerns about what the final shape of the proposal would be.

In particular, they were concerned that involving a third party in the loan arrangement might in fact increase the administrative burden for the intermediaries. They were also concerned that small, rural intermediaries would not be able to interest the banks in participating in the program, and lastly, they were concerned about the effect of bank regulations on a loan to the intermediaries and on the relationship to the intermediaries.

I have attached a copy of the survey responses to my written testimony. Thank you for allowing me to be here today, and I would be happy to answer any questions you might have.

[The prepared statement of Ms. Golden follows:]



## PREPARED STATEMENT OF ELLEN GOLDEN



Coastal  
Enterprises  
Inc.

Water Street  
P.O. Box 268  
Wiscasset  
Maine 04578

Telephone  
(207) 882-7552  
Facsimile  
(207) 882-7308

March 17, 1994

To: Senator Dale Bumpers, Chair, Senate Committee on Small Business

From: Ellen Golden, Senior Program Officer, Microenterprise Development  
and Vice Chair, Policy Committee, Association for  
Enterprise Opportunity

Re: Testimony on Small Business Administration's Microloan Demonstration  
Program

#### Introduction

Thank you for inviting me to speak today. I am Ellen Golden, Senior Program Officer, Microenterprise and Women's Business Development, at Coastal Enterprises, Inc. (CEI) in Wiscasset, Maine. I am here today both in my capacity as a CEI staff person and in my capacity as a member of the Board of Directors of the Association for Enterprise Opportunity (AEO) and Vice Chair of the AEO Policy Committee.

#### Background: Coastal Enterprises, Inc.

Coastal Enterprises, Inc. (CEI) is a private non-profit, 501(c)3, community development corporation which provides financing and technical assistance in the development of small businesses, social services and affordable housing. CEI development finance activities are targeted to promising sectors, such as manufacturing, value-added natural resource industries, women business owners, microenterprises, select social services (e.g., child care), environmental technologies and others. In addition, CEI engages in the development of affordable and special needs housing, policy research and advocacy. CEI is a licensed SBA 504 local development corporation, a certified packager for the Finance Authority of Maine, and a sub-center under the SBA Small Business Development Center program.

Incorporated in 1977, CEI manages a pool of \$20 million in loan funds raised from a variety of public and private sources and has participated in over \$90 million in financing to over 400 small businesses that have created and retained 5,000 jobs. CEI also provides business assistance and has counseled over 4,500 fledgling entrepreneurs who employ, on average, 2.5 people. In each of its projects, CEI targets social and economic opportunities to low income people, including AFDC recipients and individuals who are differently abled. CEI provides a continuum of business finance and support to customers ranging from self employed individuals with limited resources to manufacturing enterprises that employ 100 or more people.

In 1986, CEI created the Enterprise Development Fund (EDF) as a vehicle to address the credit needs of microbusinesses, particularly those owned by women. Currently capitalized at \$3.7 million (including \$1.25 million under the SBA Microloan Demonstration Program), the EDF has provided \$3.2 million to over 250 microbusinesses that have created more than 450 jobs. Approximately 60 percent of the businesses financed represent ownership opportunities for women.

#### Experience with SBA Microloan Demonstration Program

CEI serves a ten-county area in Maine with the SBA Microloan Program. Maine's population is predominantly rural; only eight communities within the service delivery area have populations greater than 20,000 and the largest urban area has only 65,000 people. Maine is also a poor state, with a poverty rate approaching 15 percent, unemployment rates as high as 12 percent in the service delivery area and per capita incomes that consistently lag behind those for the rest of the region and the country.

CEI closed its first SBA loan of \$750,000 at the end of September, 1992. As one of the nation's leading microlenders, CEI has, since then, made 72 loans totaling \$903,320 to 70 businesses at an average loan size of \$12,546. A profile of CEI's SBA Microloan Demonstration Program is attached, as is a description of two borrowers.

A second SBA loan of \$500,000 was approved at the end of February, 1994; a closing is expected before the end of March. CEI anticipates relending these funds within the next year.

#### Changes to Improve the Operation of the Program

1. Allow for greater flexibility in the use of technical assistance funds.

Intermediaries should be held accountable to their lending goals and the performance of their loans portfolios. But they should be given the flexibility to allocate technical assistance funds in response to the needs of their markets and their organizations.

A sound microenterprise program engages in a variety of essential activities: recruiting, screening, loan analysis, loan approvals, monitoring and marketing. The technical assistance grant portion of the program is limited in its recognition of these functions and how their integration forms the basis for sound program management.

Since September 1992, CEI has responded to more than 1100 requests for financing. The majority required technical assistance before a thorough assessment of the viability of the proposal could be made. At the point of initial contact, it is difficult to predict which businesses will become borrowers. CEI has in the past provided technical assistance to emerging businesses for as long as eighteen months before the business owner was ready to borrow. In other cases, a request for financing was turned down, but as a result of technical assistance, the business improved and was approved for financing months later. By encouraging intermediaries to invest in "microenterprise development" rather than "borrowers", the program has the potential to benefit local economies more widely and achieve longer term results.

2. Extend the term of the loan to increase the ability of intermediaries to revolve the loan funds.

Under the current program, intermediaries begin repaying interest and principal at the start of the second year. The rate at which the loan is repaid reduces the available principal rapidly and prevents the intermediaries from revolving the funds. Although the program permits intermediaries to borrow up to the \$1.25 million cap and there is no regulatory limit on the number of loans to intermediaries, each loan is treated as a separate entity with discrete application and reporting requirements. The accumulated burden of paperwork for both the SBA and the intermediary does not make this an attractive option. By extending the term of the loan, the rate at which principal is repaid would be reduced and intermediaries would be able to use the funds to greater effect. A model for this approach exists in the Intermediary Relending Program operated by the Farmer's Home Administration.

#### Response to the Administration's Proposal

The Administration's proposal for restructuring the program does not have sufficient detail for CEI to provide a thoroughly considered response. However, on the face of it, the proposed changes may offer some advantages over the current program.

The proposed change includes structuring the first five years of the ten-year term as a revolving line-of-credit. This may address some of the current concern about the inability to revolve funds by allowing intermediaries to retain funds for a longer period of time. In addition, if intermediaries, based on their demonstrated capacity to manage funds, were authorized to draw up to the full \$1.25 million through one approval process, it might help streamline program operations. It is important that the proposal not result in a more cumbersome, time consuming process.

The change may also lead to the development of stronger relationships with banks and may provide a way for intermediaries to involve banks more directly in microenterprise development. Banks may see this as a vehicle to help them meet their Community Reinvestment Act requirements.

The proposal suggests that the rest of the program will remain unchanged, and the technical assistance grants will be preserved. It is essential that this be the case. Without the support of the SBA, intermediaries will not be able to cover the costs of program management.

At the same time, there are questions about the proposal that remain to be answered. For example, CEI has discussed the proposal with bankers in Maine. While they were favorably disposed toward the concept, they did have concerns about the costs that they might incur in servicing the loan to the intermediary. They were also concerned about liquidity and were interested in exploring the possibility of a secondary market for these loans.

## Association for Enterprise Opportunity

### Background

The Association for Enterprise Opportunity (AEO) is the national trade association for microenterprise programs. Just four years old, AEO has approximately 350 members representing the full spectrum of microenterprise programs. AEO provides information and training to its members through an annual conference, regional meetings, practitioner exchanges, publications, a monthly newsletter and discounted memberships to Handsnet, a computer bulletin board and conference. AEO has as a priority the development and dissemination of information relating to "best practices" for microenterprise development. In addition, AEO works with corporate, foundation and public sector funders to build broader understanding of the field and to expand the resources available to support its growth.

This past fall, AEO conducted a survey of the first 45 intermediaries to be authorized under the Microloan Demonstration Program. Seventy-eight percent of the intermediaries completed the survey. The survey results (see attached) pointed to several key issues:

The SBA Microloan Demonstration Program is an important source of capital and technical assistance funds for microenterprise programs. Sustaining the current activity after the SBA is repaid is a concern:

69% reported that it would be difficult to very difficult to raise loan funds;

90% reported that it would be difficult to very difficult to raise technical assistance funds.

### Changes to the Program

Intermediaries were asked to identify changes that could enhance the operations of the program. The following were identified as both the first and second priority changes:

1. Increase the flexibility of the uses of the technical assistance funds.

Intermediaries were interested in being able to allocate funds to cover program expenses, as needed, and to retain consultants to provide specialized technical assistance, as appropriate.

2. Change the structure of the loan to increase the capacity of intermediaries to revolve funds.

The limited ability to revolve funds and sustain program activity remains a source of concern to intermediaries.

### Future Needs of the Microloan Program

1. There is a need for technical assistance to intermediaries.

As a result of the SBA Microloan Demonstration Program, many intermediaries have grown by increasing their level of activity, increasing the size of their loans or expanding their target populations. There is an on-



going need for technical assistance to intermediaries to support this growth and to ensure that the quality of service is maintained.

Funds have been allocated to provide technical assistance to the intermediaries, but in determining how these funds are employed, it will be important that the SBA rely on organizations, such as AEO, that are experienced in the design and delivery of technical assistance and training, include highly skilled and experienced practitioners in their membership, and are familiar with the issues surrounding the development and delivery of microenterprise programs.

2. There is a need to maintain the level of technical assistance funds for intermediaries.

The availability of technical support for microenterprises is a fundamental component of a microloan program. The capacity to provide technical assistance at every stage in the business development process is essential to achieve successful outcomes.

3. There is a need to sustain levels of loan funds.

The survey responses suggest that the volume of lending among the intermediaries has increased as a result of the SBA Microloan Demonstration Program; it is anticipated that the volume of activity will continue to increase as intermediaries gain experience with the program. Demand for the program has grown with the awareness of its availability. As noted earlier, there is already concern about the capacity to sustain the program activities, and raising loan funds from other sources is a very difficult undertaking. Sustaining support for the microloan program is important.

#### Response to the Administration's Proposal

Interest in the proposal was tempered by the absence of details. While several intermediaries saw the proposal as an opportunity to expand the program and to support the "microloan momentum" across the country, the majority raised concerns about the final shape of the proposal.

In particular, their concerns included the potential for increasing administrative requirements by involving a third party in the loan arrangement; the possibility that small rural intermediaries might not be able to interest a bank in participating in the program; and the effect of bank regulations on the loan to and relationship with the intermediary.

## COASTAL ENTERPRISES, INC.

## SBA Microloan Demonstration

Program Summary: March 7, 1994

Summary of Telephone Inquiries: September, 1992 - February, 1994:

Total: 1129

## Referral Sources:

SBA: 174	Andrews, etc: 30
SBDC: 85	WBDC: 20
SCORE: 52	Human Serv: 28
Media: 142	Eco. Dev.: 65
Banks: 59	

## Distribution by County:

Androscoggin: 89	Oxford: 37
Aroostook: 30	Penobscot: 66
Cumberland: 313	Piscataquis: 12
Franklin: 13	Sagadahoc: 65
Hancock: 35	Somerset: 25
Kennebec: 88	Waldo: 28
Knox: 54	Washington: 16
Lincoln: 93	York: 152

Summary of Business Plans Received September, 1992 - February, 1994:

Number of Plans Received: 290

SBA Approved: 72
Other Approved: 34

## COASTAL ENTERPRISES, INC.

## SBA MICROLOAN DEMONSTRATION PROGRAM

SUMMARY OF LOANS CLOSED OCTOBER 1, 1992 - MARCH 7, 1994

**Portfolio Summary:**

Total Closed: 72  
 Total Amount: \$903,320  
 Average Loan: \$12,546  
 Range: \$1,800 - \$25,000

**Sources of Referrals:**

SBDC: 17	SCORE: 3
Andrews: 5	DECD: 2
SBA: 6	Mailing: 1
RDC's: 3	Consultant: 4
Community: 3	Newspaper: 2
Bank: 10	Chamber of Commerce: 1
Borrower: 1	Television: 2
Family: 1	Unknown: 8
CEI Customer: 3	

**Profile of Businesses:**

Start-Up: 30  
 Existing: 42

Range: .5-16 years  
 Average: 3.7 years

Sole Proprietorships: 42	Female Owners: 28
Partnerships: 16	Male Owners: 32
Corporations: 14	Co-preneurs: 12

Business as Sole Source of Household Income: 24  
 Other Household Income: 34  
 Other Owner Income: 20

Home-based: 34

**Business Size:****Sales:**

Range: \$5,000 - 672,875  
 Total: \$4.8 million  
 Average: \$75,860

**Employment:**

Range: 1 - 8  
 Total: 159.5  
 Average: 2.3

**Business Types:**

Service: 46  
 Producer/Manufacturer: 13  
 Retail: 10  
 Construction: 3

**Location:**

Rural: 58  
 Urban: 14

**By County:**

Androscoggin:	4	Penobscot:	4
Cumberland:	20	Piscataquis:	1
Franklin:	1	Sagadahoc:	7
Hancock:	1	Somerset:	2
Kennebec:	5	Waldo:	4
Knox:	4	Washington:	1
Lincoln:	6	York:	11
Oxford:	1		

**Loan Terms:**

Interest Rates: 10 -12%  
 Average: 11.8%

Loan Terms: 1 - 6 years  
 Average: 4 years

**Collateral:**

Personal Guarantees: 72  
 Business Assets: 56  
 Second Mortgage on House: 15  
 Car or other vehicle: 17  
 Third Mortgage: 5  
 Second Mortgage on Property: 5  
 Boats: 4  
 Interest-bearing Account: 1  
 Mobile Home: 3  
 Equipment: 5  
 Bulldozer: 2  
 Assignment of Contract: 1  
 Jewelry: 1



**Uses:**

Working Capital: 52  
 Equipment: 40  
 Renovations: 6  
 Leasehold Improvements: 6  
 Supplies: 5  
 Site Work: 2  
 Inventory: 11  
 Business Acquisition: 3  
 Furniture and fixtures: 2  
 Raw materials: 1  
 Purchase Partnership: 1

**Technical Assistance Needs:**

Financial Projections, e.g., cash flow, breakeven analysis, expense estimates  
 Marketing  
 Finance Structure  
 Sources and Uses of Funds  
 Modification of loan request  
 Access to Other Financing: liaison with bank and SBA  
 Lease negotiation  
 Negotiation of supplier terms  
 Business Plan Components and Development  
 Consumer Credit and Personal Debt  
 Counseling  
 Family Budgeting  
 Licensing  
 Policies and Procedures  
 Financial Reports  
 Product Development  
 Pricing of Business  
 Liaison with Department of Defense  
 Business Organization  
 Employment  
 Bookkeeping System  
 Insurance  
 Understanding credit reports and reporting procedures  
 Clarify partnership agreement

## COASTAL ENTERPRISES, INC.

## SBA Microloan Demonstration Program

## Borrower Profiles

Borrower: Prime Trucking

Loan Amount: \$15,500 Loan #1  
\$17,000 Loan #2

The borrower is a long-distance, commercial trucker. He has been disabled, is a veteran and lived below the poverty level at the time of the initial loan. He borrowed from CEI to start his business; the loan financed the acquisition of a truck. At the end of the first ten months of business, the owner had grossed \$59,000, taken a draw of \$15,400 for himself and generated a modest profit.

In the winter of 1994, he decided to expand his business by purchasing a second truck and leasing it to another driver with whom he has worked in the past. The success of his first year in business and his track record in meeting his obligations to CEI convinced a local bank to refinance the first truck at a more favorable rate. CEI was repaid just one year after the loan was closed. He then approached CEI for a second loan to purchase the second truck. CEI approved the request. The business is projected to generate \$20,000 for the owner and a comparable amount for the driver of the second truck.

Borrower: Robinhood Canvas

Loan Amount: \$2,000

Robinhood canvas repairs and fabricates canvas boat covers, bags and banners. In operation since 1989, it is a home-based sole proprietorship providing income to the owner. CEI's working capital loan closed during the "off" month of February allowed the owner to begin marketing early and to purchase materials in advance of projects. It gave the business important upfront cash so that the owner did not have to spend her summer catching up financially.

The summer of 1993 was, according to the owner, "the best season in a long time". Revenues exceeded projections, and the business grossed nearly \$30,000. Business was so good, in fact, that she anticipates hiring a part-time assistant in the spring of 1994.

## ASSOCIATION FOR ENTERPRISE OPPORTUNITY

### SBA MICROLOAN INTERMEDIARY SURVEY

JANUARY 1994

#### Introduction:

During the Fall of 1993, the Association for Enterprise Opportunity (AEO) surveyed the first forty-five intermediaries to be approved under the SBA Microloan Demonstration Program. A written questionnaire was mailed to the intermediaries, and a telephone interview followed. The majority of the respondents completed the survey by means of the telephone interview; the others mailed their responses to AEO. Seventy-eight percent (n=35) of the intermediaries completed the survey.

#### Sources of Support:

Even though the intermediaries who responded to the survey have a variety of public and private sources for their microloan funds, they tend to rely more heavily on the SBA as a single source for loan funds.

##### SBA as % of MicroLoan Funds

53%: 50% or less  
24%: 51-97%  
24%: 98-100%

The intermediaries report the same diversity of funding for technical assistance. However, the SBA is a major source of funds for technical assistance.

##### SBA as % of TA Funds

67%: 50% or less  
20%: 51% - 75%  
13%: 75% - 100%

#### Level of Activity Among SBA Microloan Intermediaries:

The survey did not ask intermediaries to report of the size of their SBA loans. Therefore we cannot compare the average level of activity with the average loan size. Nonetheless, the responses suggest that the level of intermediary activity has increased due to the availability of SBA funds.

#### SBA Microloan volume:

Loans closed: Range: 0 - 88  
Mean: 17  
  
Mean volume: \$189,894

### Non-SBA Microloan volume in past year:

Loans closed: Range: 0 - 52  
Mean: 11

Mean volume: \$100,881

### Sustaining Intermediary Activity:

Maintaining the microloan activity after the SBA loans are repaid is a concern. Intermediaries were asked how difficult it will be for them to raise funds to sustain their microloan programs.

69% reported that it would be difficult to very difficult to raise loan funds.

90% reported that it would be difficult to very difficult to raise technical assistance funds.

The level of debt will affect the capacity of the intermediaries to sustain their activity over the long-term.

On average, 71 percent of the intermediaries' loan capital is borrowed.

### Cost of Funds:

- \* 75% of the intermediaries report paying an average of 5% or less for their loan funds.
- \* The mean of the average cost of funds for the intermediaries who responded is 1.9%.

### Technical Assistance Activity:

- \* On average the intermediaries spend their technical assistance time as follows:

26%: Screening potential borrowers  
11%: Marketing to potential borrowers  
42%: One-on-one consultation  
15%: Training  
7%: Workshops

- \* On average, time was distributed over the following stages:

36%: Pre-application  
31%: Loan analysis/structuring  
36%: Post-loan/throughout the term of the loan

- \* A significant percentage of the intermediaries' time is spent on the preliminary interactions with potential borrowers. The following reflects the mean for the respondents:

.6 hours/inquiry  
11 hours/applicant



- \* The amount of time spent with each applicant prior to a loan decision varied greatly.

Average amount of time: 5 hours - 22 hours

- \* Intermediaries interact with many microbusinesses in the process of developing borrowers as they respond to inquiries, screen requests, and analyze applications. The following are the average ratios reported by the intermediaries:

50:1 Inquiries/borrowers  
15:1 Inquiries/applications  
5:1 Applications/borrowers

#### Priorities for Program Changes:

Intermediaries were asked to identify their first and second priorities for program changes. Thirty-four (97%) of the respondents answered this question.

- \* First priority change:

35%: technical assistance  
32%: loan structure  
3%: reduce match on loan  
3%: raise cap on funds  
27%: other

- \* Second priority change:

28%: technical assistance  
31%: loan structure  
10%: reduce match on loan  
10%: reduce match on TA grant  
7%: raise cap on funds

#### Recommendations of the National Performance Review

Intermediaries were also asked to comment on the recommendations of the National Performance Review with respect to the SBA Microloan Demonstration Program. Seventy-one percent of the survey respondents answered this question.

Interest in the proposal was tempered by the absence of details about implementation. While several intermediaries saw the proposal as an opportunity to expand the program and continue the "microloan momentum" across the country, the majority qualified their responses through the expression of questions about the program structure. Among the concerns were:

- o Cost of funds
- o Loan terms to intermediaries
- o Additional administrative requirements
- o Continued availability of technical assistance funds
- o Definition of the role of the participating bank
- o Bank willingness to participate
- o Relationship of loans to intermediaries to banking regulations

Senator BUMPERS. Thank you very much, Ms. Golden. Our next witness is Mr. Singerman.

**STATEMENT OF PHILLIP SINGERMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE BEN FRANKLIN TECHNOLOGY CENTER, PHILADELPHIA, PA; ACCOMPANIED BY BEVERLY HARPER, PRESIDENT, PORTFOLIO ASSOCIATES, INC.**

Mr. SINGERMAN. Mr. Chairman, distinguished members of the Committee, my name is Phillip Singerman. I am president of the Ben Franklin Partnerships Technology Center of Southeastern Pennsylvania. The technology center is an independent, nonprofit organization created in 1982 by the Commonwealth of Pennsylvania to promote economic competitiveness through innovation and technology.

We are the largest source of early stage funding for start-up and growth-oriented companies in our region, and have invested over \$60 million of State funds since 1983.

David Osborne, the author of "Reinventing Government" has called the Ben Franklin Partnership program arguably the best economic development program in the country.

In Philadelphia, minority business development lags behind other urban areas. While Philadelphia is the fifth most populous city in the Nation and ranks third in sales and receipts from business enterprises, it ranks only twelfth in total minority-owned businesses and seventh in total sales and receipts.

Our technology center's strategic plan includes a priority providing services to disadvantaged populations and communities. We strongly believe that programs of innovation and technology can and should provide support to the economic and social goals of urban development and minority enterprise growth.

We also believe in partnerships with organizations that have complementary skills and share these goals. In 1991, we began such a partnership with Portfolio Associates, whose president, Beverly Harper, serves as chair of our Microloan Advisory Committee and is joining me in this testimony.

Ms. HARPER. Thank you. Portfolio Associates is a management consulting company which I started 25 years ago. We specialize in market research and communications and count many Federal, State, and local Government agencies as our clients.

In addition to being certified as a minority and female-owned business, we were in the Small Business Administration's 8(a) program for a number of years in the late 1970s and early 1980s. In 1991, the technology center was awarded funding out of the SBA's technology access program to provide on-line data base service to small businesses throughout Pennsylvania in collaboration with Pennsylvania SBDCs.

We assisted the technology center in developing a minority enterprise telecommunications project, and with a \$50,000 grant from Bell Atlantic we provided 100 minority firms with access to state-of-the-art telecommunications data base services. Encouraged by that success, we organized a broad-based community-wide Microloan Advisory Committee to plan a program to meet the needs of minority entrepreneurs, and in 1992, the technology center applied for funding under the SBA's Microloan program.

In 1993, we were designated as a microloan intermediary and awarded \$750,000 for microloans and \$187,000 for technical assistance. Our microloan program is the largest in the State of Pennsylvania, one of the very few in an urban area, and one of only two with a technological orientation, and the only one in the tri-State region of Southeastern Pennsylvania, Delaware, and New Jersey.

Our program began in September of 1993, and in just a few months we have conducted eight orientation sessions attended by almost 200 individuals, received hundreds of telephone calls, and have received very favorable press support.

At the announcement of the program, we were joined by Administrator Bowles, who presented a check which we deposited in Philadelphia's only minority-owned bank, the United Bank. To date, we have received 27 applications and have approved six loans. Three other applications are under review, and three more are in preparation. The loans range from \$5,000 to \$25,000, with the average being \$13,600.

As a result of the support from the SBA and the success of our program, we have been able to leverage additional funding for other populations. The State of Pennsylvania recently awarded us a \$25,000 grant to provide microloans to defense workers displaced by the closing of the Philadelphia Naval Shipyard, and the University of Pennsylvania recently agreed to provide us another \$100,000 for microloans to entrepreneurs in the West Philadelphia community.

Mr. SINGERMAN. I'd like to conclude with my recommendations. First let me say that we received excellent support from Administrator Erskine Bowles and his entire microloan staff, including John Cox, Jody Raskind, Rosa Carter, Marty Rich, as well as the staff in Philadelphia headed by Cliff Toulson.

We are involved in several other Federal programs, and we can tell you that the SBA sets the pace for effective procurement in the Microloan program. There are two major changes we would recommend in the program. First, intermediary microlenders should be given greater flexibility to contract for specialized services to third parties. In an era of global competition, microloan borrowers need to have access to state-of-the-art technology, including computers, simulations, and data bases, and we need to be able to contract as necessary to procure these services.

Secondly, the technical assistance grant should be provided on an ongoing basis. As you know, the grants for technical assistance is currently limited to the period of initial drawdown of the microloan. Thereafter, it is assumed that the interest repayments to the microlender above that required to repay the SBA's interest will be sufficient to cover both technical assistance and administrative costs.

However, even under the most optimistic scenarios, the annual interest repayment above the SBA requirement is insufficient to pay for even one full-time equivalent staff person. The funds are simply not sufficient to support the technical assistance and ongoing marketing required to service a targeted loan portfolio.

Thank you very much. We would be pleased to answer any questions you may have.

[The prepared statement of Mr. Singerman follows:]



## PREPARED STATEMENT OF PHILLIP SINGERMAN



TECHNOLOGY CENTER OF SOUTHEASTERN PENNSYLVANIA

STATEMENT OF PHILLIP SINGERMAN, PRESIDENT/CEO,  
BEN FRANKLIN TECHNOLOGY CENTER AND

BEVERLY HARPER, PRESIDENT,  
PORTFOLIO ASSOCIATES, INC.

BEFORE THE  
U.S. SENATE COMMITTEE ON SMALL BUSINESS  
THURSDAY, MARCH 17, 1994

"MICROLOAN DEMONSTRATION PROGRAM IN PHILADELPHIA:  
THE BEN FRANKLIN TECHNOLOGY CENTER'S ENTERPRISE GROWTH FUND"

## Introduction

Mr. Chairman, Senator Wofford, distinguished members of the Committee, we appreciate the opportunity to describe the progress and success of the SBA's Microloan Demonstration Program in Philadelphia.

My name is Phillip Singerman, President/CEO of the Ben Franklin Technology Center. The Technology Center is an independent, non-profit organization, created in 1982 pursuant to legislative authority of the Commonwealth of Pennsylvania, with the mission of promoting economic competitiveness through innovation and technology. Since 1983 the Technology Center has invested over \$60 million of State funds in economic development projects in southeastern Pennsylvania, leveraging over \$250 million in private and other non-state funds. We have been recognized by David Osborne, the author of Reinventing Government, as a national model of successful, responsive, economic development programs.

The Technology Center is the largest source of early stage funding for start-up and growth oriented companies in our region. Philadelphia is the fifth largest City in the country, and the center of the fourth largest metropolitan region. The region has one of the most diversified metropolitan economies in the country, with particular strength in pharmaceuticals, health sciences, materials, and information technologies, and one of the fastest growing venture capital and entrepreneurial development regions in the country.

However, in Philadelphia, minority business development lags behind other urban areas. While Philadelphia is the fifth most populous city in the nation and ranks third in sales and receipts from business enterprises, it ranks 12th





in total minority-owned businesses and seventh in total sales and receipts from minority-owned businesses.

According to the U.S. Bureau of the Census, approximately 63% of Pennsylvania's minority-owned businesses (13,577) are concentrated in the Greater Philadelphia metropolitan area and generate over \$1.3 billion annually.

Our Board of Directors has determined that the Technology Center's Strategic Plan should include a priority for providing services to disadvantaged populations and communities, and over the last several years the Technology Center has devoted financial and management resources to carry out that mandate. We believe - as a matter of principle - that programs of innovation and technology can provide support to the economic and social goals of urban development and minority enterprise growth.

We also believe in partnerships with organizations that have complementary skills but share mutual goals. In 1991 we began such a partnership with Portfolio Associates, Inc., whose President, Beverly Harper, serves as Chair of our Microloan Advisory Committee, and is joining me in this testimony.

Portfolio Associates, Inc., is a management consulting firm founded by Ms. Harper 25 years ago. The company specializes in market research and communications. Portfolio counts among its current and former clients an impressive array of federal and state agencies, non-profits, small businesses and cultural organizations. In addition to being certified as a minority and female-owned company, Portfolio Associates was in the Small Business Administration's 8(a) program for a number of years in the late 70's and early 80's. Ms. Harper has received numerous awards for her work in creating opportunities for minority- and women-owned businesses. Increasing her client base in technological areas is an integral part of the firm's strategic plan.

In 1991 the Technology Center was awarded funding under the SBA's Technology Access Program to provide on-line database services to small businesses throughout Pennsylvania, in collaboration with the PA SBDC's. Portfolio Associates assisted us to develop a special program - **Minority Enterprise Telecommunications Project** - and with a \$50,000 grant from Bell Atlantic, we provided 100 minority firms with access to state of the art telecommunications technology for customized database services.

### SBA Microloan Program

Encouraged by that success, we organized a broad-based community-wide Microloan Advisory Committee to plan a program to meet the needs of minority entrepreneurs; and in 1992 the Technology Center applied for funding under the SBA's Microloan program. In 1993 we were designated as a microloan intermediary and awarded \$750,000 for microloans and \$187,500 for technical assistance; we provided as a cash match \$112,500 for a loan loss reserve and over \$50,000 for technical assistance.

Our microloan program is the largest in the State of Pennsylvania, one of the very few in an urban area, one of only two with a technological orientation, and the only one in the tri-State region of southeastern Pennsylvania, Delaware, and New Jersey. We have a broad-based representative advisory committee (Attachment A), a highly expert loan review committee (Attachment B), and organized business development partners (Attachment C).

Our program began in September 1993, and in just a few months we have conducted 8 orientation sessions attended by almost 200 individuals, received hundreds of telephone inquiries, and have received very favorable press support (Attachment D). At announcement of the program, we were joined by Administrator Bowles, who presented a check to members of our Microloan Advisory Committee (Attachment E).

To date, we have received 27 applications and have approved 6 loans. Three other applications are under review and three more are in preparation. Loans range from \$5,000 to \$25,000, with the average at \$13,680. Four of the six loans are with minority entrepreneurs (Attachment F).

#### Examples of the loans include:

- o Say Cheese, a women-owned enterprise which embosses color photographs on ceramic mugs, buttons, and key chains.
- o Shel-Kel Optics, a minority-owned firm which provides optometry services to the Philadelphia Prison Systems.
- o Med-Ex, a minority-owned firm which provides courier service specializing exclusively in routes between hospitals and other health care providers.

Our program is restricted to low-income entrepreneurs, and targeted to minority group and women business owners.

As a result of the support from the SBA and the success of the program, we have been able to leverage additional funding for other populations:

- o The State of Pennsylvania recently awarded us \$25,000 to provide microloans to defense workers displaced by the closing of the Philadelphia Naval Shipyard; of the 5,000 workers at the Shipyard, almost 30% are women and minorities. (attachment G)

- o The University of Pennsylvania recently agreed to provide to us \$100,000 for microloans to entrepreneurs in the West Philadelphia community - the home of the University and the Technology Center's main offices.

#### Changes in the program

First, let us say that we have received wonderful support from Administrator Erskine Bowles and his entire microloan staff, including John Cox, Assistant Administrator for Financial Programs, and Ms. Jody Raskind, Director of the Microloan Program, Rosa Carter, Margie Rich, as well as the SBA's regional staff in Philadelphia, headed by Cliff Toulson. We are involved in several other federal programs, and we can tell you that the SBA sets the pace for effective procurement and efficient management.

There are two major changes that we would recommend in the program, to make it more cost-effective and enable it to better serve its customers.

First, intermediary microlenders should be given greater flexibility to contract for specialized services to third parties.

Under current SBA policy (not legislation), we are essentially prohibited from contracting out any services, such as marketing, accounting services, access to databases. As we understand the rationale, it is to ensure that qualified organizations apply for the program, and not merely shells for other groups, and to leverage the resources of other SBA funded organizations, such as SCORE and the SBDC's. While we agree with this policy in principle, the strict application of this policy in practice restricts us from using the most cost-effective and experienced organizations to provide specialized services to our micro-loan borrowers. Our recommendation is that microlenders be allowed to subcontract specialized services: perhaps a dollar limit on third party contracting or a special waiver of this provision on a case by case basis would give the SBA the level of control over this issue they believe necessary, yet allow us to deliver appropriate services.

Second, the long term financial structure of the program will not provide funding for on-going technical assistance to current and future borrowers.

Remember, the microloan is not a grant to the intermediary, it is a loan that must be repaid at between 4-6%; in addition, the local organization must put up a 15% loan loss reserve to cover any losses.

The SBA grant for technical assistance is currently limited to the period of the initial drawdown of the microloan program; thereafter, it is assumed that interest repayments to the microlender - above that required to repay the SBA's interest rate - will be sufficient to cover technical assistance and administrative costs. An example will illustrate the problem:

Assume that \$750,000 is loaned out, and is being repaid at 10% interest (including 5% to the SBA). Further assume that each loan is \$15,000, or fifty borrowers. Also assume that all loans are current.

The annual interest repayment above the SBA requirement would be \$37,500, barely sufficient to pay for one full-time equivalent staff person. These funds are simply not sufficient to support the technical assistance and on-going marketing required to service a loan portfolio of fifty borrowers.

This lack of technical resource is the reason banks do not offer microloans, and is why Congress set up the program in the first place. However, without adequate on-going funding for technical assistance, the program will not achieve its goals. One solution to this problem is to appropriate additional funds to provide on-going technical assistance and loan fund administration.

This concludes our prepared testimony. We have not had an opportunity to fully analyze the Administration's guarantee program, but our preliminary assessment is that this proposal would make it difficult for non-profit organizations to provide microloans to borrowers.

We would be pleased to answer any questions you may have.



*Ben Franklin* TECHNOLOGY CENTER OF SOUTHEASTERN PENNSYLVANIA

## ATTACHMENT A

ENTERPRISE GROWTH FUND  
MICROLOAN ADVISORY COMMITTEE

Cecil Bond  
Director of Civil Rights  
SEPTA

William M. Madway  
President  
Madway Business Research Inc.

Della L. Clark  
Director  
West Phila. Enterprise Center

Gualberto Medina Esq.  
President  
Phila. Hispanic Chamb. of Commerce

Lynne Cutler  
President  
Women's Opportunity  
Resource Center

Geraldine A. Perkins  
Director  
Temple University SBDC

Marla Hamilton  
Director  
Minority Bus. Enterprise Council

James Roundtree  
Affirmative Action & Training Mgr.  
PA Convention Center Authority

Beverly Harper  
President  
Portfolio Associates

Alan Wilson  
Commercial Officer  
Commercial Business Lending Group  
CoreStates

Ronald J. Harper Esq.  
President  
Harper & Paul

Katherine S. Wilson  
Director  
Bureau of Small Bus. & Appal. Dev.  
Office of Enterprise Development

Catherine Borden Killian

John Lenahan  
Vice President for Lending  
Phila. Commercial Development Corp

Jeanette C. MacNeille  
President  
Eclipse Services Inc.

02/16/94

ENTERPRISE GROWTH FUND  
LOAN COMMITTEE

Jillian Bond  
Publisher  
Entrepreneurial Edge

Pamela E. Davis  
Vice President/Manager SBA Lending  
Meridian Bank

Beverly Harper  
President  
Portfolio Associates

William Harrington  
Sr. Vice President Entrepreneurial Dev.  
Ben Franklin Technology Center

Carole A. Scheck  
Vice President  
Mellon PSFS

Terry V. Seward  
President  
Atlantic Regional Collection Agcy.

Alan Wilson  
Commercial Officer  
Commercial Business Lending Group

2/24/94

## BUSINESS DEVELOPMENT PARTNERS

ATTACHMENT C

Cecil Bond  
Director of Civil Rights  
SEPTA

Robert Ewe Jr.  
Fund Manager  
Minority Venture Partners

Darryl Boozer  
United Black Business Association

Frank P. Farmer  
Director  
Small Business Assistance Center

Vi Bradley  
Manager  
Crozer Mills Enterprise Center

Keith J. Ferrell  
Business Consultant  
Philadelphia, Hispanic Chamber of  
Commerce

Nina Brown  
President  
Women's Potential

Marla Hamilton  
Director  
Minority Business Enterprise Council

Albert F. Campbell Jr.  
Economic Development Coordinator  
Mayor's Office of Community Services.

Jody Keenan  
Enterprise Zone Coordinator  
Chester County Office Economic  
Development

Moises Chico  
Commonwealth of Pennsylvania  
Department of Commerce

Philip Kelton  
Executive Director  
West Philadelphia Neighborhood  
Enterprise Center

Della L. Clark  
Director  
West Philadelphia Enterprise Center

John Lenahan  
Vice President for Lending  
Philadelphia Commercial  
Development Corp.

Alice B. Crowell  
Vice President  
University City Science Center

Lynne Cutler  
President  
Women's Opportunity Resource Center

Jerome Mitchell  
President/CEO  
West Philadelphia Economic  
Development Corp.



## BUSINESS DEVELOPMENT PARTNERS

Marjorie H. Ogilvie  
Owner  
Philadelphia Business & Technology Ctr.

Alan Witkin  
Chairman  
S.C.O.R.E.

Geraldine A. Perkins  
Director  
Temple University Small Business  
Development Center

Bilal Qayyum  
Economic Development Coordinator

James Roundtree  
Affirmative Action & Training Manager  
Pennsylvania Convention  
Center Authority

Pri Seebadri  
Philadelphia Development Partnership

Rob Slinkard  
LaSalle Small Business  
Development Center

Eleanor Spiese  
General Manager  
Hatboro Technology Enterprise Center

Blaine Fitzgerald Stoddart  
Associate Director  
West Philadelphia Partnership

David B. Thornburgh  
Wharton Small Business  
Development Center





TECHNOLOGY CENTER OF SOUTHEASTERN PENNSYLVANIA

ATTACHMENT D

## ENTERPRISE GROWTH FUND PROGRAM SUMMARY

### MARKETING EFFORTS

Newspaper "Mentions" (2/3/93 thru 10/1/93)	13
Telephone inquiries	1021
Participating "Marketing Partners"	8

### MARKETING RESULTS

Orientation attendees (8)	196
Loans known to be in preparation	3
Applications received	27
Applications received twice	6

### STATUS OF LOANS TO DATE

Application returned due to lack of information	10
Applications in process	3
Applications declined	5
Conditional approvals	0
Applications approved	6
Applications withdrawn	3

3/11/94

UNIVERSITY CITY SCIENCE CENTER • 3824 MARKET STREET • PHILADELPHIA, PA 19104-2615 • 215-382-0380 • FAX 215-387-6050

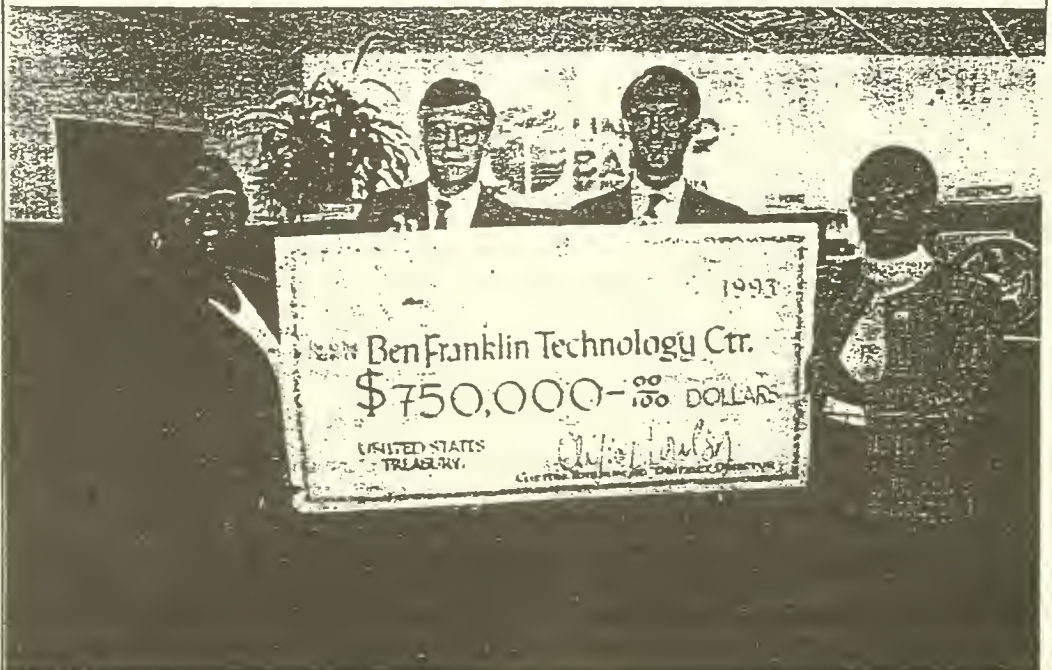
Sponsored by Pennsylvania's Ben Franklin Partnership to promote economic competitiveness through technology and innovation



SEP 8, 1993

THE PHILADELPHIA  
NEW OBSERVER  
PHILADELPHIA, PA

## Business



**BUSINESS LOANS NOW AVAILABLE TO LOW INCOME ENTREPRENEURS** — Erskine Bowles (2nd from right), the new administrator of the U.S. Small Business Administration presented a \$750,000 check to William Harrington (2nd from left), senior vice president Ben Franklin Technology Center of Southeastern Pennsylvania to initiate the Enterprise Growth fund which will make loans to small businesses owned by low income individuals. Emma Chappell (left) chairman, president and CEO of the United Bank of Philadelphia hosted the ceremony. Also attending was Beverly Harper, chair of the Enterprise Growth Fund Advisory Committee and president of Portfolio Associates, Inc. For information on the Enterprise Growth Fund please call the Ben Franklin Technology Center at 382-0380.



TECHNOLOGY CENTER OF SOUTHEASTERN PENNSYLVANIA

ATTACHMENT F

For Immediate Release  
Contact Morgan Barlow  
Portfolio Associates, Inc.  
(215) 627-3660

### FIVE AREA SMALL BUSINESSES GAIN ACCESS TO WORKING CAPITAL THROUGH MICROLOANS

Philadelphia, PA, February 28, 1994 - Small businesses needing loans from \$500 to \$25,000 often lack access to capital because conventional business loans from banks usually begin at \$50,000. The Enterprise Growth Fund, a microloan fund operated by the Ben Franklin Technology Center of Southeastern Pennsylvania, fills that business capital need for credit worthy borrowers. It has awarded loans ranging from \$5,000 to \$25,000 to five area businesses.

#### Montgomery County

- **Med-Ex**, 4 Poplar Street, Conshohocken - \$25,000 to further develop courier service specializing exclusively in routes between hospitals and other health care providers.

#### Bucks County

- **Street Smart**, 424 New Road, Southampton - \$5,000 to establish itself as a distributor of street hockey sporting goods sold through retail outlets and mail order.

- more -



**Philadelphia**

- Look of Success, 3808 North Broad Street - \$11,700 to further develop a full service hair salon which features many conservative, ethnic, and contemporary hair designs.
- Say Cheese, The Gallery at Market East - \$15,000 to meet the December holiday rush for its ceramic mugs, buttons, and key chains which feature color photographs taken on the spot.
- Shel-Kel Optics, - 1503 C. Wadsworth Ave. - \$15,000 to buy optometry equipment to fulfill a State contract.

Companies interested in discussing a microloan can call the Enterprise Growth Fund at 215-382-0380.

\* \* \* \* \*

The BFTC locally administers the Ben Franklin Partnership Program, an initiative funded by the Commonwealth of Pennsylvania to promote economic competitiveness through technology and innovation.

The Enterprise Growth Fund is funded principally by the U.S. Small Business Administration (SBA). All SBA programs and services are extended to the public on a nondiscriminatory basis.

# # # # #



HARRISBURG, Pa., Jan. 31 /PRNewswire/ -- State Commerce Secretary Andrew T. Greenberg today announced the award of four \$25,000 grants to economic development organizations which provide loans to minority and women-owned small businesses.

"Through this legislatively created demonstration project, we are able to add funds to the working capital of micro-loan agencies serving both urban and rural areas of the Commonwealth," Greenberg said.

"These funds are helping us to further support minority and women-owned enterprises. We will assist individuals interested in becoming entrepreneurs."

By combining both economic and human development strategies for business development, micro-enterprise programs provide special support for businesses outside the economic mainstream.

State Rep. Dwight Evans (D-Philadelphia), who proposed the micro-loan program, said, "The overwhelming majority of business start-ups in Pennsylvania are small businesses. To date, there has been no program to provide small loans to small businesses. Most economic development has concentrated on larger dollar amounts."

Pennsylvania's micro-loan program will target businesses with 10 or fewer employees and work with entrepreneurs who want to start or expand a small business.

The grants were awarded to:

-- Ben Franklin Technology Center of Southeastern Pennsylvania, in Philadelphia, to help defense industry businesses effected by national fence downsizing to convert to civilian activities through new business formations. The center, which serves Bucks, Chester, Delaware, Montgomery and Philadelphia counties, has been awarded \$937,500 from the U.S. Small Business Administration (SBA).

-- Washington County Council on Economic Development, in Washington, to stimulate business formation and growth in the rural and economic depressed areas of Greene, Fayette and Washington counties by targeting women-owned businesses. The council was selected this year by the SEA to administer the Micro-loan Demonstration Program in the Southwest area of the state.

-- Urban Redevelopment Authority of Pittsburgh to assist minority and women entrepreneurs in Pittsburgh.

-- North Central Pennsylvania Regional Planning and Development Commission, in Ridgeway, to help its clients in Cameron, Clearfield, Elk, Jefferson, McKean and Potter counties.

/delval/

-0- 1/31/94

/CONTACT: Deborah J. Gownley of the Department of Commerce,

717-783-1132/

CO: Pennsylvania Department of Commerce

ST: Pennsylvania

IN:

SD:

3

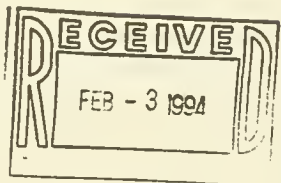
PH031 --

8375 01/31/94 15:39 EST

p . . .

Copyright (c) 1994 PR Newswire

Received by NewsEDGE/LAN: 1/31/94 3:39 PM



Senator BUMPERS. Thank you very much, Mr. Singerman.  
Ms. Gudmestad.

**STATEMENT OF KAY GUDMESTAD, PRESIDENT,  
WOMENVENTURE, ST. PAUL, MN**

Ms. GUDMESTAD. Thank you, Mr. Chairman and other distinguished Senators for this opportunity to provide testimony before your Committee.

The SBA Microloan Demonstration program has benefited the communities of Minneapolis and St. Paul through the start-up of new businesses and the creation of jobs. We are proud to serve our community through this program, and I am pleased to be here today reporting to you on its merits. As you have requested, I will summarize my full testimony at this time.

WomenVenture was formed in 1989 through the merger of two women's organizations, including WEDCO, a microenterprise development agency established in 1983. The mission of WomenVenture is to enable women to secure their own economic self-sufficiency.

In 1993, more than 5,000 clients came to WomenVenture. A survey of about 500 clients found that over half had household incomes of less than \$24,000 a year, and 39 percent reported that two or more jobs were required to generate their household income. This is in a community where the median household income is just under \$40,000 a year.

WomenVenture believes that women, especially low income women, face two barriers to starting and operating successful businesses: skills and capital. WomenVenture offers programs that emphasize building the business owner and the business through training, one-on-one technical assistance, and the financial packaging, including direct loans of up to \$25,000.

Since 1984, WomenVenture has offered loan programs. Our microloan fund was established in 1992 with a \$500,000 loan from the SBA Microloan Demonstration program. Since then, over 1,300 potential business owners have attended program orientations, 115 individuals have applied for loans, and 28 loans have been funded. A total of \$266,000 has been loaned to 23 businesses with an average loan size of \$9,500. Of these, three business owners are in default, but we expect to receive payment from two of them.

The microloan fund supports businesses which otherwise would not have been started. The following story serves as an example of WomenVenture's microloan fund borrowers.

This client manufactures a life-sized doll. She came to WomenVenture in 1991 to participate in our special business training program for individuals on AFDC. She borrowed and repaid two small loans before borrowing \$15,000 from the microloan fund. Her dolls are now sold nationally, as well as in Japan. Recently, this client transitioned off AFDC and is now supplementing her business income through part-time employment. Ninety-one percent of WomenVenture's borrowers are women; 26 percent are people of color. Our borrowers are all low income.

The Microloan Demonstration program at WomenVenture has helped launch 19 new businesses and created 27 new jobs. The demand for microloans continues to be high. In February, 11 loan applications were received, however, each of these applicants needs

extensive technical assistance before their application can be considered. The Microloan Demonstration program responds to a tremendous gap in support available for the creation of new business owned by women, people of color, and low-income individuals. The provision of management and technical assistance grants is key to the success of their businesses, as well as the program.

The grant program, however, is the aspect of the program that could be improved the most. Communities would be better served if the grant program had greater flexibility. The program's impact would increase if the restrictions limiting the provision of technical assistance to nonborrowers was lifted. WomenVenture's program data indicates that fewer than 1 of every 12 potential business owners actually begins the formal application process. Of those who apply, only 24 percent are funded. A significantly greater number of businesses could be started if grantees were allowed to assist more entrepreneurs who might learn during the process that their business could be launched without a microloan. I strongly urge you to improve the program by adding flexibility to the Technical Assistance Grant program.

In response to the proposal to change the program to a guarantee program I have raised several questions in my full testimony. I do believe that banks in Minneapolis and St. Paul will support this program, but I question whether or not banks will everywhere else. I see possible advantages to the proposed program, however, I feel all questions and concerns should be fully addressed before the proposal is adopted.

I urge you to support the continuation and expansion of the Microloan program and the implementation of the necessary improvements that have been discussed here today.

[The prepared statement of Ms. Gudmestad follows:]



## PREPARED STATEMENT OF KAY GUDMESTAD

Kay Gudmestad, President, WomenVenture

TESTIMONY ON THE SMALL BUSINESS ADMINISTRATION'S  
MICROLOAN DEMONSTRATION PROGRAMSubmitted to the Senate Committee on Small Business  
March 15, 1994

Thank you Mr. Chairman for this opportunity to testify on the Small Business Administration's Microloan Demonstration program. This is a program that has expanded WomenVenture's capacity to meet the business development needs of our clients and has benefitted our community through the start-up of new businesses and the creation of jobs. We are very pleased to be able to serve our community through this program and to report to you on its merits.

As you requested, my testimony includes background information about WomenVenture and detailed information about our microloan program. I have also commented on possible improvements to the program and the proposal to change the microloan program from a direct loan to a guaranteed loan program.

WomenVenture Background

WomenVenture, which serves the Minneapolis/St. Paul metropolitan area, was formed in 1989 through the merger of CHART (a women's career development agency founded in 1978) and the Women's Economic Development Corporation (founded in 1983 to provide microenterprise development services to women). Currently, WomenVenture provides the Twin Cities' most comprehensive services to women in the areas of career and business development. The services offered by WomenVenture address a broad range of economic barriers faced by women.

The mission of WomenVenture is to enable women to secure their own economic self-sufficiency and to achieve financial competence, with an emphasis on low-income communities. Services provided include individual counseling and classes for clients in employment transition, comprehensive training and placement services for women wanting to enter non-traditional occupations in the building trades, and a broad range of business development services.

In 1993, more than 3000 clients came to WomenVenture in their pursuit of economic self-sufficiency. WomenVenture's basic services are available to any woman, regardless of income. Nevertheless, most clients are low-to-moderate income women. (In 1993, a sample of 542 business development clients provided extensive demographic data. Of these, 53.5% indicated that their household incomes were less than \$24,001 and 39% reported that two or more jobs were required to generate their household income. The median household income for the Twin Cities is about \$39,500.) Although men are eligible to receive services, only a few participate. WomenVenture has developed specialized programs to help low-income individuals create economic opportunity and reduce their dependence on government assistance.



Since its inception, WomenVenture has been dedicated to the principle that women--especially low-income women--face two difficult barriers to starting and operating successful businesses: skills and capital. WomenVenture's programs enable women to build the business and personal skills needed to effectively manage their businesses. To assist women in tackling the barriers to starting their own businesses, a comprehensive assistance program has been designed. The following components are included in our programs:

- training in business planning and management offered through workshops and classes
- one-on-one consulting in all aspects of running a business tailored to each client and her business idea
- opportunities to build personal effectiveness
- financial packaging including direct loans up to \$25,000.

#### WomenVenture Loan Program

Since 1984, WomenVenture has offered entrepreneurs access to loan funds through four distinct programs. At present, WomenVenture offers two loan programs, the SETO loan fund for low-income business owners borrowing up to \$5,000, and the Microloan Fund, which was established in 1992 with a loan of \$500,000 from the Small Business Administrations Microloan Demonstration Program. Loans made through the Microloan Fund range in size from \$500 to \$25,000. The following table summarizes the activities of WomenVenture's Microloan Fund.

#### LOANS

In-person Program Inquiries	1365
Applications	115
Loans Funded	28
Businesses Funded	23
Total Loaned	\$266,202
Average Loan Size	\$9507
Defaults	3 (18.3% of portfolio)

#### WomenVenture Client Profiles

The Microloan Fund has supported businesses which otherwise would not have been formed due to lack of capital. These businesses have created opportunity for their owners, and in some cases, provided employment for others in the community. The following client stories are representative of WomenVenture's Microloan Fund borrowers.

Client "A." a toy manufacturer, came to WomenVenture in 1991 to participate in our comprehensive business training program for recipients of Aid to Families with Dependent Children (AFDC). Client "A" borrowed and repaid two loans from the SETO loan fund before borrowing \$15,000 from the Microloan Fund in late 1992 to support the development of a second product. Her dolls, which are unique in size and construction, are sold nationally through catalogs and in Japan. Recently, Client "A" transitioned off AFDC. She supplements her business income through part-time employment.

Client "B" borrowed \$25,000 in March of 1993, to start her commercial collection agency. The agency operates nationally and targets businesses with sales of \$20 million or more annually. In one year the agency has grown enough to hire five new employees. Client "B" has told WomenVenture that she could pay back her loan in full, but has decided to stay with her monthly payment schedule so she can continue to receive the free technical assistance.

The following table describes the businesses and business owners participating in WomenVenture's Microloan Demonstration Program.

BUSINESS OWNERS/BUSINESSES

Women	21 (91%)
People of Color	6 (26%)
Public Assistance Recipients	5 (22%)
New Business Starts	19 (83%)
Jobs Created and Retained	27 FTE

The demand for loans through the Microloan Fund continues to be high. On average, 18 potential borrowers attend orientation to our business development services each week. In February alone, 11 loan applications were received, however, each of these applicants needs extensive technical assistance before their applications can be approved.

#### WomenVenture Program Success

The establishment of the Microloan Demonstration Program has responded to a tremendous gap in support available for the creation of new businesses owned by women, people of color and low-income individuals. The provision of management and technical assistance grants included in the current legislation is critical to the success of the program. The grant program, however, is the aspect of the program that has the greatest need for improvement. Specifically, communities would be better served if the grant program had greater flexibility and allowed agencies to more fully respond to the demand for technical assistance that exists for entrepreneurs before they borrow.

Microloan Program Improvements

The program's effectiveness would increase dramatically if the restriction limiting the provision of technical assistance for non-borrowers was lifted. As you can see, the data from WomenVenture's first 16 months of Microloan Fund activities indicates that fewer than 1 of every 23 potential business owners who inquire about the program actually begins the formal application process. Of those who apply, only 24% are funded. A significantly higher number of businesses could be started if grantees were allowed to assist more entrepreneurs who might learn during the process that their business can be launched without a microloan. This restriction unnecessarily forces grantees to limit the business owners who can receive services to those most likely to borrow. I strongly urge you to improve the program by removing this restriction.

Guaranty Program

In response to the Small Business Administrations's proposal to change the Microloan Demonstration Program to a guaranty program, I submit the following questions and comments:

- How will this change improve the effectiveness of the program?
- Will banks impose additional restrictions on loans to entrepreneurs?
- Will banks require a voice in loan approvals?
- Will banks support the program at the desired level of funding?
- Will the addition of another layer to the program, increase the amount of reporting required of intermediaries?

While I have not spoken directly to bankers regarding this proposal, I believe that banks in this metropolitan area will be supportive of this program. An advantage I see to the proposed change is that the guaranty program enables each intermediary to build a credit history with a bank that can lead to additional borrowing in the future. Will banks in rural areas, however, be equally responsive? These issues should be fully investigated before the proposal is adopted.

I urge you to support the continuation and expansion of the Microloan Program. This demonstration program has been successful and should be established as a permanent service offered by the Small Business Administration.



The CHAIRMAN. Thank you, Ms. Gudmestad. You certainly have outlined precisely my concerns about going to a guaranty program. Actually, you mentioned two or three things I had not thought of that are really troublesome to me. But without asking any questions at this point, let me defer to my colleague, whom I knew would come back as soon as somebody from Minnesota appeared on the panel.

Senator WELLSTONE. Thank you, Mr. Chairman.

Wait a minute. I do not know if I like the implication of that. I apologize to the rest of you. Everybody here knows sometimes you wind up having a conflict with a couple of things scheduled for the same time. It is not lack of interest or commitment in what you all are saying and what you stand for.

Ms. Gudmestad, one point you made that I would like you to expand on, you said the program's effectiveness—I am almost directly quoting you—would increase dramatically if the restriction limiting the provision of technical assistance for nonborrowers was lifted. Could you expand on that and tell us what you are trying to get at there?

Ms. GUDMESTAD. What I am referring to is the limitation to provide more technical assistance before entrepreneurs borrow money. More up-front technical assistance would put them in a stronger position before they do borrow, so that they are in a real position of strength when they launch their businesses.

I think the impact is also expanded by, as Connie suggested, redefining borrowers to include all the applicants, and at that point we could provide technical assistance. There would be many more businesses that would be started through the program.

Senator WELLSTONE. Can you share for the record some of your ideas about the technical assistance grants?

Ms. GUDMESTAD. Well, I think right now we are limited to using 10 percent of the dollars for nonborrowers. If that restriction was lifted we would be able to work with a much larger group of people. We could be helping both borrowers and strictly applicants simultaneously. It would give us the flexibility we need to not be overly cautious about whether or not this person will be moving forward as an actual borrower.

Senator WELLSTONE. Contrary to what the Chairman said, for those of you who are not from Minnesota, I am also interested in your analysis. Would you agree with that assessment?

Ms. HARPER. We have found that potential applicants need assistance with putting the numbers together and making financial projections, and if we could provide more help for them in that specific area we might increase the number of applications that we are receiving.

I mentioned in my testimony that we have hundreds of inquiries and very few who make it into the pipeline. We would like to go back to the people who have made inquiries and talk to them about the process of putting together a business plan, determining what kind of business to go into in addition to helping them put together the financial projections.

Senator WELLSTONE. It was funny, I was reading faces and both of you were moving toward the microphone at the same time. I am just trying to figure out who was closer to the mike.



Ms. GOLDEN. I will go first, and then Connie can follow.

I wanted to support what Kay said, because that has also been part of our experience. We have had requests for assistance from 1100 people in the last 18 months, and in many cases you really do have to provide technical assistance before you can make a thorough analysis about the viability of a business idea.

In some cases, some of our borrowers have received technical assistance for as long as 18 months to 2 years before they have been ready to borrow money. Sometimes people have been turned down, and only through the delivery of technical assistance have been able to come back and present a proposal that we have been able to respond to.

So I think that early up-front technical assistance, without distinguishing whether or not that person is definitely going to be part of your portfolio is really essential to expanding the entrepreneurial opportunity for many people.

Ms. EVANS. I would support everything my colleagues have said and would add that an evaluation conducted by the Aspen Institute of the seven leading microenterprise programs in the country, including the Women's Self-Employment Project, cites that a critical element of the microenterprise development strategy is the training and/or technical assistance that agencies provide the clients. Although it varies dramatically in the type and intensity of training, all seven of these microenterprise programs provide some type of technical assistance prior to lending.

Nearly 80 percent of the respondents in the study all reported that the technical assistance received from the organization was very useful. So I think again from the customer side that technical assistance is needed.

Senator WELLSTONE. It strikes me, Mr. Chairman, that given the mission, or you can use another word if that sounds too much like social work, or the rigorous economic goals of this program, to reach out and encourage a lot of people who really do not necessarily have the same sort of access to resources to even begin to apply that this technical assistance on the front end is almost critical to whether or not there is really going to be the opportunity.

It comes first before becoming a part of the loan pool is what you are saying, right? I think that is extremely important. That is an area where we could really do some work to make this program work better.

Thank you.

The CHAIRMAN. Thank you.

Senator Bennett?

Senator BENNETT. I have no questions.

The CHAIRMAN. Senator Pressler.

#### OPENING STATEMENT OF HON. LARRY PRESSLER, U.S. SENATOR FROM SOUTH DAKOTA

Senator PRESSLER. Thank you, Mr. Chairman. I wish to place my opening statement in the record if I may.

[The prepared statement of Senator Pressler follows:]

## PREPARED STATEMENT OF SENATOR LARRY PRESSLER

Mr. Chairman, thank you for calling this hearing on the Small Business Administration's (SBA) Microloan Demonstration Program and the agency's Business Development Programs. The SBA relies on the programs within these two important initiatives to help fulfill its mission to small businesses.

As a cosponsor of legislation that modified the Microloan Demonstration Program, the program's status is of significant concern to me. The need for microloans and technical assistance for small, disadvantaged businesses remains as strong as when this program was created. However, as it is a pilot program, it is important for this committee to scrutinize it carefully.

Curt Storly of the Northeast South Dakota Energy Conservation Corporation (NESDECC), my home state's sole participant in the Microloan Program, testified as to the value of this pilot program before this committee a little more than a year ago. I am pleased to say this South Dakota microlender continues to do well. NESDECC creates two jobs for each loan of approximately \$7,900 and boasts a very high collection rate on the loans it makes. Through their microloan program, NESDECC has enhanced community economic development with the cooperation of several local banks, electric cooperatives, community organizations, and state and local governments.

NESDECC evidences how this program has worked in the short run. Now, we must address changes proposed by the administration. The administration proposes to move from its current program of making direct SBA loans to Microloan Program intermediaries to a program of loans made by banks with a 100 percent guarantee by SBA. I am eager to hear the views of today's witnesses on this issue. However, I must say at the outset, I am not sure how much savings would be achieved by such a program revision. In addition, I want to hear from SBA as to what the banking industry has had to say about its willingness to participate.

I am equally interested in the testimony on the SBA Business Development Program. Of particular concern to me is the proposed \$15 a hour fee for the services of Small Business Development Centers (SBDC). SBDCs provide an invaluable service to established and fledgling entrepreneurs. Introducing such a fee may close the door of opportunity for a prospective job creator. I believe the fee also may bring new, cumbersome administrative duties to SBDC staffs already stretching their dollars and time. Finally, I remain unconvinced that the administrative's figure of \$17 million in revenues generated by the fee actually will be realized.

I notice also that the administration would like to cut nearly half a million dollars from the Service Corps of Retired Executives (SCORE) Program. When only half of new businesses survive five years, the expertise offered by the seasoned executives of SCORE often helps fledgling businesses beat the odds and service. In turn, these businesses create new jobs and increase the tax base in their communities. Last year alone, in my home state of South Dakota, SCORE volunteers logged 1,678 hours of service to entrepreneurs. During this, the 30th Anniversary of SCORE, I believe this committee should seriously consider the contribution it has made—primarily through the generosity of volunteers.

These are just a few of the issues the committee will be considering today and in the coming months. I know there are numerous others, but I will not go into them at this time. I am certain that today's hearing will address each of them.

Thank you again, Mr. Chairman, I welcome our witnesses and look forward to hearing their testimony.

Senator PRESSLER. I have been running between committees all day, and I apologize for my lateness here.

Let me ask this question of anybody on the panel: In rural areas, purchasing commercial property is an affordable option for many small business startups. Current regulations governing the microloan program prevent loans being used for land or buildings. Do you think it is good policy to allow microloans only to be used for working capital and other similar expenses?

Ms. GOLDEN. Being the one person here representing a rural program, I think I have no choice but to respond. I do not think it does make sense. I think if the opportunity were available for a microborrower to acquire a piece of property within the limits of the program, we as an organization would support that and have



occasionally with other funds also financed acquisition of property and do not see that that limitation benefits the program.

Ms. EVANS. I am not from a rural program, but I would think that those microenterprise programs that are started often include child care programs as a very typical type of business. And in that situation that is a business that might require that type of financing for real estate for those kinds of things. So I would think also it would be appropriate to add that.

Senator PRESSLER. This may have been covered but you might expand a little bit on it. Will the proposed change in the SBA's lending practice to intermediaries significantly alter your relationship with microbusinesses seeking loans?

Ms. GOLDEN. Our understanding is the way the proposal has been presented to us is we would still have that direct lender-borrower relationship to the microbusinesses, and I would certainly not be able to support anything that changed that relationship.

Ms. HARPER. I think it has the potential of adding another administrative layer to the intermediaries, because we would then be forced to negotiate with the banks who some of us historically worked with and were not very receptive to dealing with this market niche anyway. I think we face the possibility of them imposing some of their rigorous policies, specifically as it relates to collateral, on the microlenders. That would knock many of them out of the box in terms of our being able to make these loans.

Senator PRESSLER. Thank you very much, Mr. Chairman.

The CHAIRMAN. Ms. Harper, you mentioned not necessarily leveraging money but getting some grants. I think you mentioned one for \$25,000, one for \$100,000. Are those targeted for a particular purpose or are you able to use those just to make additional loans?

Ms. HARPER. In one case, the \$100,000 loan from the University of Pennsylvania is targeted to the west Philadelphia community. But we apply all of the criteria that we have established in the SBA program. For the \$25,000 loan, that is targeted to displaced defense workers at the Philadelphia Naval Shipyard.

The CHAIRMAN. I have been really facetiously talking about credit for establishing this program. The truth of the matter is I got the idea, as you know, after having listened to NPR one night on the way home, which gave a description of the Good Faith Fund, the same one you saw in the videotape.

But the Good Faith Fund was not the only one. One of the reasons I was able to recruit Senator Mitchell, who is Majority Leader, so easily is because they had a very successful program in Maine that had been up and running for a long time. I found out that we not only had the Good Faith Fund in Pine Bluff, we had programs all over the country. And most of them were being funded with grants and foundations and so on.

I do not think simply because the Government has sort of pre-empted the field that we ought to let up. I do not think you ought to let up in your efforts to attract foundation money and private capital that will give you a much better chance of success in your own business. I am not worried about you. Most of you have already shown you can operate the business successfully.

But the other point I would make is the more money you can leverage, perhaps the lower rate of interest you can give your borrowers, and I consider that extremely critical to the success of this program. You can hardly ask people who are starting out with no business experience and starting a business for the first time, you can hardly expect them to make it when they have to pay 12 and 13 percent interest.

Would you like to comment on that, Mr. Singerman?

Mr. SINGERMAN. Yes. I would say that I absolutely agree with you that critical to the success of this program and what distinguishes this program from other programs is the technical assistance component. If we did not have that support we would be forced to make different kinds of decisions and we would not reach the population that this program is set up to serve.

The kinds of recommendations that members of this panel and I am sure other people who are involved in the program have made to you regarding the ongoing nature of the technical assistance support, the flexibility that is needed, are really very important and crucial to the success of the program.

The CHAIRMAN. Ms. Evans, did you want to comment on that?

Ms. EVANS. Yes, I actually would like to respond regarding the foundation and capital support. I think it is important to point out that most of us who are capitalized to a great extent by foundation dollars, those, too, are loan dollars, and that as a field in terms of microenterprise lenders many of us have a great deal of difficulty finding permanent loan capital, and that permanent loan capital is a source that is needed to provide an equity base to our loan fund to begin to build some permanency.

In addition, regarding the SBA requiring matching dollars and loan loss reserves, that money cannot come from foundation investments or other kinds of loan dollars. So it is important to recognize that even though we are heavily capitalized with foundation monies, those, too, are loan dollars and we really need to fill up how the Government, how the SBA, or others can help us in in this microenterprise lending field to begin to have some permanent capital for supporting these programs.

The CHAIRMAN. Ms. Evans, it is probably a little more difficult for those of you who have been tapping foundation money. Once the Federal Government gets into it and starts making loans to you it probably diminishes the argument that you could otherwise make for those funds. Some people who would otherwise give you money might say well, "That is a Federal program now, and we want to be more innovative," and they would go looking for some other innovative project.

One other thing I might mention, Ms. Golden, you mentioned allowing you to use these funds as revolving funds; in other words, give them to you, as they are repaid to you you take them, loan them back, and so on. That probably has merit. SBA might have an argument against that, but as long as you are making your payments at the required interest rates they really should not have much quarrel with it.

Ms. GOLDEN. I would like to think not. I would like to respond to that and then also go back to the issue that you raised about sources of funds. There is, as I think you are aware, the



intermediary relending program under the Farmer's Home Administration which is indeed a revolving loan fund. CEI also has funds under that program, and that is a 1 percent loan for 30 years, which does indeed give us the opportunity to revolve those funds in the community over a long period of time and keep them working for the purposes for which we have borrowed them. The SBA might prefer a shorter term, but I think that that is a model to look at in terms of how to really maximize the effect of use of the funds.

In terms of the sources of funds for these microenterprise programs, I wanted to draw your attention to the survey that AEO did. There are a couple of points that were raised. One was the responding intermediaries had what I thought was a fairly significant high percentage of debt in their loan funds which really responds to the issue that Connie just raised.

The second point I would like to make is that all of those programs already have multiple sources of funding. To some extent some of them were very heavily dependent on the SBA program because, of course, the SBA has afforded them access to large amounts of capital.

The other thing I would like to point out is that all of them reported that it would be either difficult or very difficult to raise additional loan and technical assistance funds once they have repaid the SBA money.

Lastly, one more thing about rural programs. I know that Coastal Enterprises is an anomaly. We have been very lucky to attract support from national foundations. But other organizations in Maine, which is a State that does not have any private foundations and very little corporate support, would not have easy access to private sources of capital.

The CHAIRMAN. Two of you said that you would like to have more flexibility in the use of technical assistance funds, and I think one of the suggestions was that applicants as well as borrowers should be considered eligible. Was that you, Ms. Evans?

Ms. EVANS. Yes, it was.

The CHAIRMAN. What is the rationale for making an applicant eligible for technical assistance? Just so they hit the ground running?

Ms. EVANS. Yes.

The CHAIRMAN. What if you do not make the loan and we have spent the money giving somebody technical assistance to start a business that is not going to get started?

Ms. EVANS. But the intermediary still has to spend that time with the applicant to prepare them to be able to make a better case. I think if you are providing the technical assistance up front it would reduce the amount of people that you are declining and would actually increase the number of borrowers in the entire program, since they have a better rate of success at presenting a good package and being able to follow through on that package.

The CHAIRMAN. You also said that intermediaries ought to be considered eligible for technical assistance.

Ms. EVANS. Currently, there is an appropriation, I believe, within the SBA program that has \$300,000-plus dollars to be provided for technical assistance to intermediaries. As far as I know, that money is not currently being spent. And because the SBA is the

largest lender right now in terms of microenterprise support through the Government sources, it is creating quite a number of new programs coming into microenterprise lending.

Many of the practitioners have been lending but not at the microenterprise level. So there is a real need for technical assistance and capacity building among intermediaries, training on some of the learning about microenterprise so they can reduce some of their error from having to reinvent the wheel.

Ongoing training, how to handle loan delinquencies—we at this table probably have great repayment rates, but that is not going to always be the case and there are programs that would have difficulty managing delinquency. Ongoing training is just desperately needed in the field.

The CHAIRMAN. Well, we included a provision when we expanded this program to provide for training of intermediaries. So we will have another look at that this year to see if that needs to be built on.

You have all testified extremely well and you have been successful, and there is not a lot I can ask people who have been successful. But I appreciate very much your coming long distances to be with us. Your testimony has been extremely helpful to us.

[Responses to questions submitted for the record follow:]

## Responses of Connie Evans

## Senator's Bumper's Questions

**With respect to the proposal to make applicants eligible for technical assistance, what guidelines would you recommend to prevent a large amount of the technical assistance from being used on applicants who may not ever receive a microloan?**

**Response:** Intermediaries could initiate a screening process that would pre-certify potential borrowers for eligibility. The assessment could be made on each intermediary's criteria for lending with the emphasis on a quick determination made in order to qualify the person for technical assistance reimbursement. More extensive assistance will be provided as identified during the screening process.

## Senator Pressler's Questions

- 1) Will the proposed change in the SBA's lending practice to intermediaries significantly alter your relationship with microbusinesses seeking loans?**

**Response:** Very little detail has been shared with the intermediaries regarding the proposed changes; therefore it is difficult to speculate on their impact. If the program change only results in a change in the source and structure of the loan to the intermediary, then there should be no impact on potential borrowers. It is important that the program remain structured so that it is the intermediary that is still setting program policy, activities and criteria, and that all contact regarding the loan remain between the intermediary and the borrower.

- 2) What, if any, long-term effects do you see coming from the intermediary lending change?**

**Response:** In the long-term, the change as I presently understand it to be would allow the intermediary a more workable source of funds for long-term capitalization. Funds would be able to revolve rather than the current structure which forces the intermediary to begin repayment immediately, thus depleting its capital base. Simply, intermediaries should be able to broaden their reach and increase their scale of activity as a result of the proposed change.

Further, over the long term, this change should bring more banks into the area of microenterprise lending resulting in both an increase in the dollars available to lend and the creation of greater opportunities for entrepreneurship and job creation.

- 3) In rural areas, purchasing commercial property is an affordable option for many small business start-ups. Current regulations governing the Microloan Program prevent loans from being used for land or buildings. Do you think it is a good policy to allow microloans only to be used for working capital and other similar expenses?**

**Response:** Yes, I think it is appropriate to restrict the use of these Microloan Funds for small working capital and other similar experience. Although it is very difficult for microentrepreneurs in urban areas to purchase commercial space, I think it is inappropriate to place that type of expenditure in this program. It will have the effect of turning our microloan portfolios into real estate portfolios which is not the purpose of this program. Lots of real estate loans and in general, larger size loans; neither of which I believe to be appropriate for a microenterprise program. Lastly, real estate lending is a separate type of lending. In general, microenterprise loan programs do not have the staff capacity to properly assess and monitor this type of lending activity.



Coastal  
Enterprises  
Inc.

Water Street  
P.O. Box 268  
Wiscasset  
Maine 04578

Telephone  
(207) 882-7552  
Facsimile  
(207) 882-7308

April 18, 1994

Senator Dale Bumpers  
United State Senate  
Committee on Small Business  
Russell Senate Office Building, Room 428A  
Washington, D.C. 20510

Dear Senator Bumpers:

This is in response to your letter of March 24, 1994 in which additional questions were posed with reference to the SBA Microloan Demonstration Program.

**Question:** What guidelines do you recommend to prevent a large amount of technical assistance from being used on applicants who may never receive a loan?

The request for greater flexibility in the use of technical assistance funds is based on the experience of organizations, such as CEI, who work within the framework of a developmental process. Businesses that approach CEI for financing go through a series of progressively more rigorous screens that ultimately lead to loan approval or rejection. At each step along the way, the number of businesses actively engaged in the review process diminishes, as does the number of applicants who receive technical assistance.

As a rule, the demand for technical assistance always threatens to outstrip supply. CEI manages this demand by setting goals for its technical assistance customers. Customers are given assignments and are expected to complete assignments as part of the technical assistance process. Individuals who lack commitment, do not demonstrate progress with the development of their business and are not good investments are effectively weeded out. The process allows for the development of borrowers over time, while preserving resources to provide technical assistance to those who have already borrowed. It is in our best interest to loan the money effectively to borrowers who will repay their loans, and our use of the technical assistance funds is a vehicle to achieve this. This approach is a component of sound program management, and one that the SBA can address as it develops training and technical assistance for the intermediaries.

Lastly, the structure of the program limits the amount of loan funds that an intermediary may drawdown based on levels of lending. It also ties the grant funds to the amount of funds borrowed and loaned. This is a safeguard on the intermediaries' use of funds and assures that funds will be available for technical assistance to borrowers.



Senator Pressler's questions:

**Question:** Will the proposed change to the program alter the relationship between the intermediary and microbusinesses seeking loans?

The details of the proposed change are still unavailable, and it is, therefore, not possible to give a definitive response to this question. On the surface, an SBA guaranty of a bank loan to the intermediary should not change the nature of the relationship between the intermediary and its borrowers, but the effect of bank regulations on the loan to the intermediary has not been explored. It is important that the integrity of the intermediary-microbusiness relationship be preserved.

**Question:** What long-term effects do you see coming from the intermediary lending change?

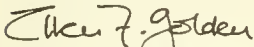
The change in the program may help the intermediaries build relationships with local banks and that may encourage banks to become more involved in supporting microenterprise development, particularly given the changes in CRA. The change in the program may also lead to greater flexibility in the structure of the loan and that would benefit the program. On the other hand, there is concern that small intermediaries in rural states may have difficulty establishing relationships with banks and the changes in the program may put them at a disadvantage.

**Question:** Is it good policy for microloans only to be used for working capital and other similar expenses?

There is no reason that microloans should not be used for all legitimate business purposes, including the purchase of real estate.

Thank you again for inviting me to testify on behalf of the SBA Microloan Program. I would be happy to answer additional questions or furnish additional information if needed.

Sincerely,



Ellen F. Golden  
Senior Program Officer  
Microenterprise and Women's Business Development

## Responses of Kay Gudmestad

Response to Senator Bumpers' question regarding guidelines to prevent a large amount of the technical assistance from being used on applicants who may not ever receive a microloan.

I recommend that guidelines include establishing a pre-screening process that enables intermediaries to determine whether financing is required to start or expand the applicant's business. The process could include an individual interview as well as a written pre-application form so that intermediaries can assess applicants' understanding of their own business as well as basic business concepts, marketing and business financing. During this process the likelihood of an applicant becoming a viable candidate for a bank loan or a loan from another source can be assessed as well. An applicants' eligibility for technical assistance prior to becoming a borrower can then be based on known financial needs and likelihood of actually proceeding with their business plans.

I believe the benefits of the SBA Microloan Demonstration Program can be even greater, however, if the concern whether participants borrow from the microloan fund or another loan source be abandoned. Of course, this means that the purpose of the program be broadened to starting and expanding businesses regardless of financing needs.

Many clients come to WomenVenture wanting to borrow from this SBA program but learn through their work with us that they can start their business through sales or that their business would be better served by seeking other sources of funding such as investors or community banks. Many clients who at the time of approaching WomenVenture are not "bankable" become viable candidates for bank loans because they build their business skills through classes and technical assistance. If intermediaries could provide these potential business owners with technical assistance through the SBA program, the program would be successful in starting even more new businesses.

## Responses to Senator Pressler's questions.

- 1) Will the proposed change in the SBA's lending practice to intermediaries significantly alter your relationship with microbusinesses seeking loans?
  1. No, not that I anticipate. It is possible that a bank could require involvement in loan approvals as a condition of the credit line. This would create a significant problem for intermediaries and alter the relationship with microbusinesses due to changes in the application process.
- 2) What, if any, long-term effects do you see coming from the intermediary lending change?
  2. I believe that intermediaries could benefit from having a credit line from banks because it provides the opportunity to establish ourselves as good credit risks.
- 3) In rural areas, purchasing commercial property is an affordable option for many small business start-ups. Current regulations governing the Microloan Program prevent loans from being used for land or buildings. Do you think it is good policy to allow microloans only to be used for working capital and other similar expenses?
  3. For our purposes, the limitations on use of microloans has not been a problem.

Our last panel this afternoon consists of Dr. Robert Kemp, past president, Small Business Institutes Directors' Association from Des Moines; Dr. Don Bradley, executive director of SBA National Center, Conway; Mr. Gregory Higgins, Jr., president-elect, Association of Small Business Development Centers, from Philadelphia; and Mr. W. Kenneth Yancey, executive director, Service Corps of Retired Executives in Washington.

Welcome, gentlemen. Dr. Kemp, you are first on my list here, so if you would, please, proceed.

**STATEMENT OF ROBERT A. KEMP, C.P.M., PROFESSOR OF MANAGEMENT AND INTERNATIONAL BUSINESS, DRAKE UNIVERSITY, IMMEDIATE PAST-PRESIDENT, SMALL BUSINESS INSTITUTES DIRECTORS' ASSOCIATION, DES MOINES, IA**

Dr. KEMP. Thank you, Mr. Chairman. I am Dr. Robert Kemp, professor of Management and International Business at Drake University in Des Moines, the largest private university in Iowa, and I am glad to be here and I am glad to have the opportunity to testify concerning the SBI program. It has been a favorite program of mine for the past 17 years. As a professor, I have worked with nearly 400 businesses and probably over 2000 students in working with all these small businesses. It is my privilege this afternoon to testify for the 550 SBI directors that we have across the country and for the SBIDA program.

The mission of the Small Business Institute is to provide entrepreneurial education, strengthen the small business sector of the free enterprise system, enhance the small business environment out there, and support economic development through small business teaching, consultation, and research with small businesses and the communities by college and university students under competent faculty supervision. It is an academic program in every one of these schools. That makes it unique. We do this work primarily through teaching, through research, and through consultation with the businesses that we serve across the country, and we are indeed in every State in large, small, and medium-sized schools.

Several years ago, SBI led the effort within SBA to create a memorandum of understanding which we lovingly refer to as the MOU. This MOU was between SCORE, between SBDC, and between SBI, and the primary purpose of that memorandum of understanding was to ensure that there was no duplication of effort and no competition. The three organizations, as part of SBA, agreed that we would support one another and not compete and not duplicate the effort, and to my knowledge there is not much duplication and there is no competition. And we would like to keep it that way.

Previous testimony by SBA referred to our reports as cases and case studies, and I would like to change that. Our cases are comprehensive business analyses done by teams of students under faculty supervision to provide that client, a small business man or woman, minority, big, and small, we do not care what kind of small business it is and we do not care what kind of a problem they have. We work with all kinds of businesses in every industry and in every facet of business.



These cases are complete analyses of the business and of a set of problems that we have agreed with that business person that we will work on. They may be international cases, they may be small retail stores, whatever it is, it is a complete analysis and we present that case to that client just as if we were a major consulting firm and we sell them the report and the recommendations, and we attempt to convince them that they want to do that. It is not just a case study, it is a real analysis, and I would like to stress that point.

Everybody loves a winner in the United States, everybody. And in SBI we have a true winner. Everybody wins. Students win because they get a fine education and a business experience in real life that they cannot get anywhere else in their academic process. Nowhere else in the academic process do we take a student and do with them what we do in the SBI program. It is unique.

Clients win because of the truly outstanding consulting project they receive, absolutely free except for their time and their interaction with our students. And for most of them that is somewhere between 10 and 20 hours of the client's time. No cost.

Universities win because we get a great public exposure from the SBI program. The university probably does not have a program that gets it a better public exposure in its own business community than the SBI program.

Taxpayers win in the end because of the economic activity that comes from better small businesses and better trained former students. And in our discussions, we oftentimes forget the benefit to the students. It is the student that really wins out in the end, along with the small businessperson.

These students go on to perform entrepreneurial roles in the economy, and every Small Business Institute director out there has his or her favorite stories about students who have been quite successful.

I would like to highlight three of the recommendations that I made in the report. I think they are very important, and I would like to say that in the past under previous administrations we have had trouble with fees. They did not work in the old days, and it will not work now.

First of all, we would urge this Committee and other committees to maintain the SBI program and the SBA budget for the years to come. Secondly, we would urge this Committee to maintain the Small Business Advance National Center to support the SBI program and other faculty research in terms of entrepreneurship. And third, we would appreciate it if this Committee would instruct the SBA to establish a self-governance program for the SBI program at a national level similar to SCORE and to report back to this Committee next year on the progress in that action.

I thank you for the opportunity to be here, and I will be glad to answer your questions, Mr. Chairman.

[The prepared statement of Dr. Kemp follows:]



**PREPARED STATEMENT OF ROBERT A. KEMP****THE SMALL BUSINESS INSTITUTE  
OF THE  
U.S. SMALL BUSINESS ADMINISTRATION****TESTIMONY BEFORE THE  
UNITED STATES SENATE COMMITTEE ON SMALL BUSINESS**

Dr. Robert A. Kemp, C.P.M.  
Drake University, Des Moines, Iowa  
Immediate Past President, SBIDA  
March 17, 1994

**WHAT IS SBI?**

The mission of the Small Business Institute is to provide entrepreneurial education, strengthen the small business sector of the free enterprise system, enhance the small business environment, and support economic development through small business teaching, consultation, and research with small businesses and communities by college and university students under faculty supervision. A practical way to describe the SBI is by its ultimate objectives, which is to say:

**"SBI is Education and Business Consulting Experience for Tomorrow's Leaders  
and Business Assistance for Today's Entrepreneurs."**

SBI provides three sets of broad activities to the local business community. These activities are particular to the college and university situation and were selected to maximize the contribution to the small business community from academe. The activities are consulting, research and training.

SBI uses student teams of senior level or graduate business students, under faculty supervision, to accomplish in-depth consulting projects that analyze the company and its specific problems. The student teams create and present to the managers of selected small firms a set of recommended strategies or operational techniques to resolve the specific business problems.

In the teamwork process for the selected firm, a SBI student team will conduct market, economic and industry analyses to assist a firm. Similarly, the collective research of teams and the supporting faculty members is made available through the Small Business Advancement National Center to support other faculty and teams. Opportunity and understanding is created by SBI research.

Training is accomplished through a spectrum of college level courses for university students that emphasize entrepreneurship as an alternative career opportunity as well as the fundamentals of operating a business. College courses are also made available to business owners and community leaders. Similarly, seminars and workshops are sometimes included in the SBI program when SBDC and SCORE resources are not available in the area.

SBI led the effort to create a Memorandum Of Understanding (MOU) between the three SBA resources (SBI, SBDC, and SCORE) that prohibits competition and promotes cooperation. Indeed, SCORE counselors sometime serve as mentors for the student teams. SBDCs and SCORE sometimes nominate businesses for the in-depth SBI consulting and research projects which they cannot accomplish. Similarly, SBDC and SCORE counselors sometimes follow up with a client to assist implementation of SBI recommendations after the SBI team has released the client.

Even though there is an MOU and the three SBA resources cooperate in the field, we must note that the SBI services are totally different from services provided by the SBDCs or SCORE program. SBI projects are in-depth, semester long research and consulting projects that draw upon many resources to provide the client a comprehensive consulting report that is impossible for the other resources. The SBA MIS report for the fourth quarter of FY 93 shows that SBI projects averaged 119 hours while SBDC projects averaged 5 hours and SCORE projects were 2 hours.

The SBI client receives both thorough written and oral reports concerning the consulting project. In addition, the entrepreneur is eligible for follow-up services from the other SBI resources—SCORE and the SBDC—in the field.

The SBI services are completely confidential for the client. All that is required of the client is time and cooperation.

SBI is a cooperative Grant Program between the US Small Business Administration and about 550 schools, colleges and universities across the country that provides special education for students, opportunities for faculty, and that brings a special consulting program to small businesses in the many local communities. Most SBI projects are completed for small firms, but with prior SBA Regional approval SBI may conduct special economic studies for a community or a specific region in the SBA district. These special projects are also far reaching research and consulting work that bears great fruit for the community or region.

### IMPORTANT SBI IMPACTS

- The Federal budget for FY 93 provided for 6030 small business cases. The budget for FY 94 provides for 6000 cases. The FY 94 budget is three million dollars.
- Expansion of many small businesses into international trade. Actually, in FY 93, two percent of the cases were to expand international trade.
- 1,250,000 hours of faculty-guided counseling are provided to small business clients by SBI each year. Private consulting at this level might cost \$40.00 hour. But most of our small business clients could not afford this private consulting. This free consulting is valued conservatively at \$50 million.
- More than 12,500 students—tomorrow's leaders—participate in the program annually. These young people are exposed to the entrepreneurial spirit, opportunities in small business, and the requirements for jobs.
- The 550 schools provide in-kind support of approximately \$5 million per year. This includes office space, electronic equipment support, clerical work, copy service, telephone, FAX, etc.
- Free consulting provided by the faculty members in support of the SBI cases at fair market rates would cost more than \$12 million annually.
- From this set of factors we can calculate the SBI leverage for its three million dollar budget:

Faculty guided student consulting	50,000,000.00
School in-kind support	5,000,000.00
Free faculty consulting in support of their SBI teams	<u>12,000,000.00</u>
<b>TOTAL</b>	<b>\$70,000,000.00</b>

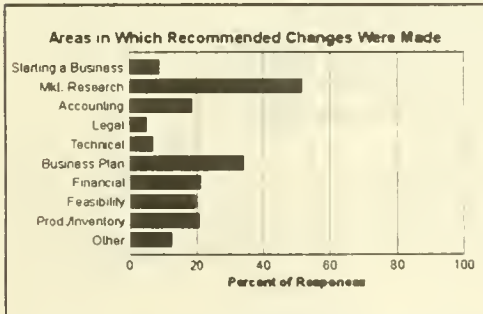
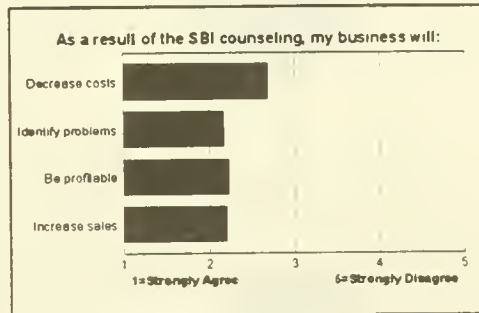
- The SBI program leverages its \$3 Million Federal budget by a factor of 23.3 to approximately \$70 million annually.
- In FY 1992, the SBA national office conducted a survey of former SBI clients across the country. One of the questions asked the clients to put a value on the SBI consulting project completed for them. These statistics are taken from that report and provide a customer's view of the SBI program's value. Our clients give us a **multiplier factor of seven**. This factor is still spectacular!

Clients	Percentage citing this value	Average Value	Program Value
6,000	37.9	500.00	1,137,000.00
6,000	58.2	5,000.00	17,460,000.00
6,000	4.0	10,000.00	2,400,000.00
Grand Total			\$20,997,000.00

Taken either way, the SBA and the nation get a truly great return on investment from this tremendous student-faculty program at the community level across the country. The SBI students and faculty are helping small businesses all across the nation, and we are proud of that fact.

Other important facts taken from the FY 1992 SBA survey are shown here.

Each chart shows SBI's success with its clients. This first chart shows that all the respondents more than agree that as a result of the SBI team their business will "decrease costs", "identify problems", "be profitable", and "increase sales". Small businesses that do these things are going to be successful. This means more jobs, more tax payments and economic growth.

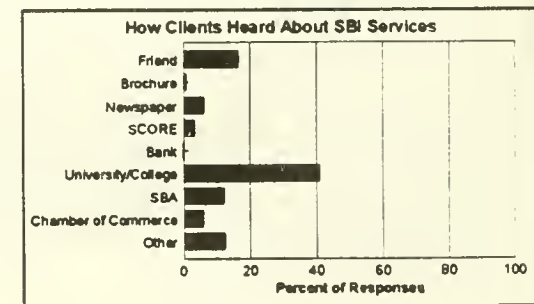
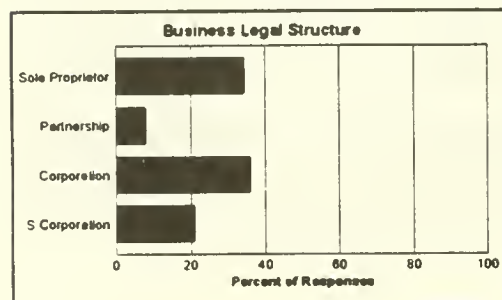
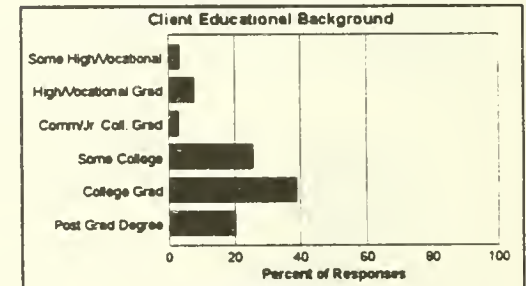
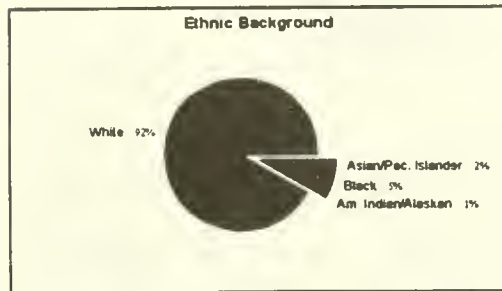
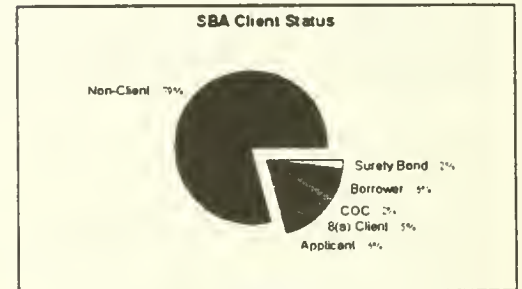
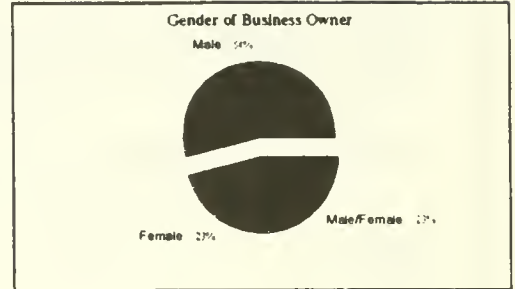
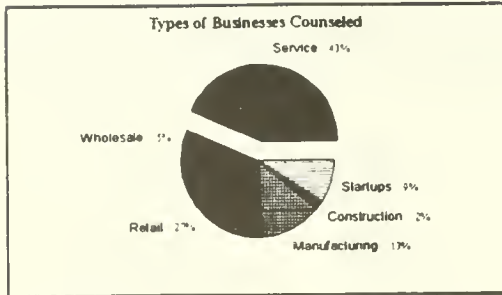


This chart shows the many areas where student teams made recommendations and the managers of firms have actually made the suggested changes. Six important business decision areas stand out; i.e., market research, business planning, financial, feasibility studies, production and inventory control, and accounting. The teams have a significant capability across the most important business areas and can help firms.

The charts on the next page show that SBI helps all kinds of businesses, regardless of organizational type, type of industry, ownership, educational background or gender. The SBI directors across the country work carefully with the SBA district officials to serve the business community. The last chart shows that many agencies that support small businesses also recommend those smaller firms to the SBI as cases. SBI is a national resource that serves many fine local business communities.

## 1992 SBI CLIENT PROFILE

4



Source: Small Business Administration; Business Initiatives, Education, and Training, MIS FY92 Report and Small Business Institute Client Survey, conducted by SBA, FY 92



Everybody loves a winner and the SBI program is a winner. For example:

Students win because of the fine education and business experience they receive.

Clients win because of the truly outstanding consulting project they receive for free.

Universities win through the great public exposure the institutions receive.

Even the taxpayers win in the end by the economic activity that comes from better small businesses and the better trained former students in our midst and perhaps in entrepreneurial roles.

#### **TYPES OF ASSISTANCE PROVIDED BY SBI TEAMS**

- Accounting
- Computers
- Financial
- Management
- Marketing
- International projects that support exporting
- Human resource management
- Combinations of these functional services
- Special economic projects authorized by the SBA Regional and District offices

It must be emphasized that the SBI projects are more than just advice in these business functional areas. The SBI projects actually go into great detail to show the managers of small businesses how to design and implement an accounting system, or select and install a computer and automated systems. Market research studies are completed and provided to the client with conclusions and recommendations for implementation. Our international projects provide points of contact and correspondence to include procedures, and steps for implementation. Since many of the SBI projects are quite comprehensive, the manager/owner will get recommendations concerning more than one of the business functions.

Merit must also be drawn to the special economic projects authorized by the SBA Regional and District offices. These economic studies are quite meaningful to the local community and its economic development plans. Entire communities or smaller economic regions have been studied to provide the basis for economic development. Although these studies are quite different from the business studies they receive the same comprehensive efforts and support.

#### **TYPES OF CLIENTS**

- Existing small businesses from micro firms to larger small business with rapid potential for growth: service, manufacturing, agriculture, retail, wholesale, or construction.
- Rural communities
- Exporters and importers

- High technology firms
- Inventors
- Women, minority and veteran entrepreneurs

Most SBI directors and schools work closely with the SBA district officials to serve the appropriate clients in that district and local economic/business area. Similarly, most SBI directors attempt to conscientiously create a mix of available clients for their student teams. It is good sense to serve a broad spectrum of clients and we do that across the country.

#### **DISTINGUISHING CHARACTERISTICS OF THE SBI PROGRAM**

- SBI is educational for the clients, the students and the faculty. For the students and faculty much of the education process takes place in the formal classroom setting. While this education process supports the SBI projects, it is not costed as part of the SBI program. The results of this education process are impossible to measure and very long-term. Who knows when the entrepreneurial spirit kindled in the classroom will emerge into a viable, growing business that will significantly contribute to society. Every long-term SBI director has his or her favorite examples from the past. It is a great program for all concerned.
- SBI is unique among the three SBA field resources in that all SBI projects are all long-term, in-depth, comprehensive analyses of the client companies. SBI projects are generally over 12 to 16 weeks. Both SCORE and the SBDC projects are generally short-term and oriented to a specific problem. SCORE and SBDC projects are generally limited to a few hours. As shown above the comprehensive effort required for the SBI project is more than twenty times that of the other two resources for an average project.
- SBI is unique among the three SBA field resources in that all SBI projects result in a major written report that details the recommendations and justifies the solutions proposed to the client. This written report is presented by the student team with faculty participation to help the client understand the recommendations and steps for implementation.
- SBI is unique among the three SBA field resources in that all SBI projects can and do often draw on the resources of both the SBDC and SCORE. Typically the reverse of this is not true. There is cooperation but SBDC and SCORE seldom call on the SBI resources to help in their short-term projects.
- A twelve hour SBDC project including overhead charges costs the government nearly as much as the average SBI project.

SBDC:	12 hrs X \$25.00 + 29 percent overhead =	\$387.00
-------	--	----------

SBI Project	150-350 hours (regardless of total time) (Fixed fee)	\$500.00
-------------	--	----------

SCORE work in the field is nearly totally free except for overhead and minor travel.

- SBI is the free use of thousands of hours of faculty time across the country. This is an immense national treasure contributed to the local business communities. SBDC does not have this resource.

- **SBI is not a duplicative effort of SBDC and SCORE. Here are examples of this difference:**
  - \* SBI is located in many places where the SBDC and SCORE programs are not available.
  - \* The SBI is more, much more, than just counseling. SBI spends more than twenty times more work with the client. The numbers were presented earlier.
  - \* SBI has more human resources available through the universities at no additional cost. These human resources include the total university faculty and administrative assistance and support. Everyone will help the SBI team. Particularly, this is true in our many smaller schools where most people know and understand how important the SBI program is to the students, the clients and the community.
  - \* SBI exposes the students to entrepreneurship as a career alternative and by involving them SBI helps develop better future small business owners.
  - \* SBI has great physical resources available through the universities and colleges at no additional costs. For example, these include access to faculty other than SBI directors for consulting, the libraries, computer labs, and other equipment.
- SBA sees itself as moving more to a loan guarantee agency with reduced emphasis in the field for business development and managerial assistance. Loans do not solve most small business problems. Managerial assistance is what solves small business problems in the field. Flooding the market with more loans without adequate managerial assistance will mean more defaults. SBI provides the best in-depth assistance possible at a tremendous return to the government for its investment.
- Over the last four years SBA and SBI have built the Small Business Advancement National Center (SBANC) at the University of Central Arkansas. We have been working to centralize the set of knowledge for the small business consulting process. This center has on-line library and research support for faculty, teams, and others interested in research to support small business operations. The center director is testifying separately, and the SBI supports his efforts. This center must be maintained with the SBI.
- Moving the SBI program to the SBDC is not a cost reduction, rather it is a transference of costs. Indeed, if the SBI program is moved to the SBDC, our program will have to be reduced or the funding will have to be increased because the SBDCs have to pay overhead. The costs of completing the SBI case (travel, copy service, computer time, etc.) will still be there. More important though is the fact that moving SBI to SBDC requires a university or college to put its academic programs under supervision of non-academics in the SBDC. Many of our schools will not even consider this action. Sixty percent of our current schools have little-to-no contact with the SBDC.

## THE HISTORY OF SBIDA

Early in the history of SBI, the directors formed a professional organization to promote, enhance, and support the SBI program. The SBIDA has been and still is a strong advocate for improving the national SBI program.

The Small Business Institute Directors' Association (SBIDA) was founded in 1975 by the directors of 37 Small Business Institutes (SBI) from across the country. Those SBI directors, then as now, needed to share information, ideas, case and consulting procedures, and they found

that doing so made their individual efforts with their students and their small businesses more successful.

Today, SBIDA's 520 members reach far beyond the original 37 members. These SBI directors, along with other SBIDA members (other educators and administrators) share one common overriding desire; a burning concern for the success of the free enterprise system world wide through the continuing success of small business! SBIDA is a member supported association. No government funds are used to support SBIDA.

SBIDA provides the same function today that it did in 1975. As a faculty organization, it provides forums and venues for the exchange of ideas applicable to small business. Yet the business processes used in the 1990s are far more comprehensive than those used twenty years ago. Keeping up-to-date is more important now than ever before.

SBIDA provides the organized national voice for the SBI directors from across the country. It has been the continuity and driving force to improve the SBI program director training, program quality, and consistency of the program over the years.

### **SBIDA PROVIDES**

**Conferences** at the regional and national level with presentations to improve small business management, program consulting processes, and program quality.

**Publications** that extend the research and knowledge of small business. The *Momentum* is our quarterly newsletter for members and others interested in our program. The bi-annual *Journal of Small Business Strategy* translates research into applicable processes for educators and small business managers. The quarterly *Journal of Small Business Management* provides an outlet for sophisticated research concerning many small business and international operations. Our annual conference *Proceedings* provide a wealth of ideas for small business consultants (students and faculty) and owners.

**Advocacy** by the officers and selected members keeps Congress and other national leaders informed of critical activities and the needs of small business. Advocacy helps us guide the continuing improvement of the SBI program through our partnership with the SBA and the Congress.

**Recognition** is provided for our members, students and others through several annual regional and national programs.

### **CURRENT OBJECTIVES OF SBI AND SBIDA**

Even though the SBA Administrator has recommended to the Congress that the SBI program be abolished, we have established plans for the years to come, and we are hopeful that the Congress will perpetuate the SBI program.

We believe our program of consulting, assistance and training to small businesses across the country and particularly in the rural areas supports the objectives of the Clinton Administration. Therefore, we request your support to achieve these objectives:

1. Increase our case budget from 6000 to 7000 cases for the Fiscal Year 1995. This increase would provide for the addition of new schools across the country (75 schools @ 8 cases) and a small increase of cases for our best existing programs (40 schools at 10 cases).



2. A sum of \$300,000.00 to initiate additional training opportunities for very small businesses at local levels. These training programs would be conducted by students and faculty at the Micro business level. This first year of a formal program would lead to 300 training events in separate communities across the land. Three hundred training events with an average attendance of 20 persons per event means excellent training for an average cost of \$50.00 per person. These training events would be in areas where SCORE and SBDC service is not available or would be in conjunction with the other two resources in accordance with the MOU.
3. An increase in the price of a SBI case from \$500.00 to \$600.00. This would increase the Small Business Institute budget line from \$3,800,000.00 (cases and training) to \$4,500,000.00 for 7030 cases and the training. At the new rate per case and including the training funds, everything else held constant, our **leverage factor** remains a remarkable 15.6 (70 million/4.5 million). The SBA and the nation get a truly remarkable return on investment from this tremendous student-faculty program at the community-grass roots level across the country.
4. SBIDA has established a Five-Year SBIDA Strategic Plan that calls our members to higher actions. The preamble of the plan calls for SBI and SBIDA to:
  - a. *Act as a vehicle to improve and expand educational programs for small business in colleges and universities.*
  - b. *Enhance the relationship between faculty of schools with small business programs and the business community in developing educational programs that meet community needs.*
  - c. *Encourage the relationship and cooperation between faculty of schools with Small Business Institutes and other organizations—academic, professional, and service—concerned about the small business community.*
  - d. *Enhance the traditional activities of SBI—consulting, research, and education.*

The SBIDA plan highlights these concepts as the foundation for six specific objectives that are supported by several specific strategies. SBIDA's distinctive professionalism at the local, regional, national, and international levels shall be enhanced by better educational courses, enhanced assistance and service to the small business community, improved relations with all SBA resources and better organizational management. SBIDA will work to increase the national SBI budget to support existing cases (7,000) at \$600.00 per case. More effort will be expended to reach more SBA priority cases, such as 8A cases and firms owned by the disabled, veterans, minorities, or women.

*Objective One: Continue full utilization of Federal funding including completion of all authorized cases with high quality SBI reports.*

*Objective Two: Deliver quality educational programs with college level courses that offer entrepreneurship as a career alternative and that teach the fundamentals of management for small businesses.*

*Objective Three: Increase the ratio of SBI schools with directors holding membership in SBIDA and encourage others interested in small business counseling and assistance to become members.*

*Objective Four: Work towards maintaining and increasing financial resources available to SBI.*

*Objective Five: Continue the special efforts to reach SBA priority cases and clients who are disabled, minority, veterans, or women owned firms.*

*Objective Six: Build public awareness of the SBI programs and small business issues and establish SBIDA and its members as experts concerning these issues.*

#### **SBI RECOMMENDATIONS TO THE COMMITTEE CONCERNING THE SBA PROGRAM**

SBI disagrees completely with the SBA Administrator's previous budget testimony to the Congress that would abolish the SBI program in FY 95. We believe our high quality program of education, consulting, assistance and training to small businesses across the country and particularly in the rural areas supports the objectives of the Clinton Administration. Therefore we have these specific recommendations:

1. **Maintain the SBI program as a separate budget line item in the SBA budget and increase our case budget from 6000 to 7000 cases for the Fiscal Year 1995.**

Subordinating the SBI program inside the SBDC program is a transference cost that saves nothing and indeed might mean higher costs for a reduced SBI program. Even worse, it marries two incompatible programs. Finally, many schools would not support this merger because it ignores the curricular and education mission of the SBI.

This case increase would provide for the addition of new schools across the country (75 schools @ 8 cases) and a small increase of cases for our best existing programs (40 schools at 10 cases).

2. **Provide a sum of \$300,000.00 to initiate additional training opportunities for very small businesses at local levels.**

These training programs would be conducted by students and faculty at the Micro business level. This first year of a formal program would lead to 300 training events in separate communities across the land. Three hundred training events with an average attendance of 20 persons per event means excellent training for an average cost of \$50.00 per person. These training events would be in areas where SCORE and SBDC service is not available or would be in conjunction with the other two resources in accordance with the MOU.

3. **Increase in the price of a SBI case from \$500.00 to \$600.00.**

This would increase the Small Business Institute budget line from \$3,800,000.00 (cases and training) to \$4,500,000.00 for 7,000 cases and the training. At the new rate per case and including the training funds, everything else held constant, our leverage factor remains a remarkable 15.6 (70 million/4.5 million).

The SBA and the nation get a truly remarkable return on investment from this tremendous student-faculty program at the community-grass roots level across the country.

4. **Maintain the Small Business Advancement National Center (SBANC) to support SBI program, other faculty research and the teams.**

SBANC is an integral part of the SBI program. We need it in the field.

5. **Instruct the SBA Administrator to initiate discussions with the SBIDA concerning self governance for the SBI program similar to the SCORE program and report back to the Congress on progress.**

Self governance for the SBI program similar to the SCORE program would facilitate long term administration of the SBI program, relieve the SBA National Office of some administrative responsibilities and enhance the SBI program in the field. This last thought, enhancement of the SBI program in the field, is a very important argument. The SBIDA officers are ready to move forward with this discussion.

The officers of SBIDA, its members, other SBI directors, students, others interested in research for the small business community, and our clients urge your total support for these recommendations. We have urged these SBI program users to contact the Congress concerning this issue.

## **SUMMARY**

SBIDA is a national treasure that works to fully utilize all Federal funding for SBI and to complete all authorized cases for small businesses across the country. SBI is 550 schools across the land and its national center. SBI must be kept intact. SBIDA delivers high quality educational programs for students and others. SBIDA should grow by increasing the number of SBI directors, case supervisors and others, faculty and staff, interested in small business counseling, research or entrepreneurial activities. Concurrently, SBIDA's distinctive professionalism at the local, regional, national, and international levels shall be enhanced by better educational courses, enhanced assistance and service to the small business community, improved relations with all SBA resources and better organizational management. SBIDA will work to increase the national SBI budget to support existing cases (6000) at \$600.00 per case. More importantly, SBIDA will work to increase the annual budget to 7,000 cases. More effort will be expended to reach more SBA priority cases, such as 8A cases and firms owned by the disabled, veterans, minorities, or women. These concepts are the foundation for six specific objectives presented above and our actions and services in the business community.

We, the students, the clients, the faculty, and others interested in building smaller businesses across the country, appreciate your time, your interest and pray for your support in the budget process.

Thank You!

**SBI is faculty, students and others assisting  
small businesses to prosper nationally.**



The CHAIRMAN. Thank you very much, Dr. Kemp.  
Don.

**STATEMENT OF DON B. BRADLEY III, PH.D., PROFESSOR OF MARKETING, UNIVERSITY OF CENTRAL ARKANSAS, AND EXECUTIVE DIRECTOR, SMALL BUSINESS ADVANCEMENT NATIONAL CENTER, CONWAY, AR**

Dr. BRADLEY. I'm happy to be here from the Small Business Advancement National Center. One of the things that I would like to point out is, that even though the Center's roots are the SBI program which is very important and we wholeheartedly endorse everything that Dr. Kemp had to say, we also work with all the other partners that are at this table and they are a vital part of what we do to emphasize what Robert talks about in working together.

Another thing that I would like to point out, is that we also work with both the Good Faith Fund and Ms. Evans with the Women's Self-Employment Project on an individual basis.

What I would like to point out to you first is our Small Business Advancement Network. It is the largest electronic library in the world pertaining to small business and entrepreneurship. One of the ways that we feel we could save SBA money as well as the SBA partners money is by reducing printing costs. They could use our network to download information which would not need to be printed.

Also, since we are now a part of Internet, if more SBA offices would become a part of Internet there would be no phone charges. So a lot of the things that would be done—and here again, the Federal Government has invested in Internet, but it does not look like a lot of the SBA offices have taken advantage of Internet when they are wanting to save money. Well, if the Federal Government has paid for the network, why is SBA not on the network?

In a few of cases, SBA offices are, on the network, but in most cases they are not. I have provided a list of the number of SBA people that use our system. From a technological point of view we feel that we are already on the information highway. The other thing that we would like to point out, is that by being on Internet we have the potential of 25 million users in approximately 100 countries, and we are having a number of international people use our network at this particular time, as well as a large number of users from around the United States.

One of the things we have on this network is small business software which can tell people their percentage chance of getting an SBA loan. We also have on the system a downloadable cashflow analysis, a downloadable business plan, a downloadable plan to help with marketing aspects, all provided free to the users, either by PC and modem or Internet or we can answer questions through Prodigy.

Another database that we have is the international marketing database. This matches up small businesses from around the country with our partners in Europe, which we have from our international program, along with information that we get from the American Marketing Association. This has been very successful.

One of the things that I have inserted in this testimony that was just handed out was an Internet message from one of Senator



Burns' aides to show you how your Committee is starting to use our network. I will not read that to you, but it is there if you would like to look at it.

Also, another thing that we would like to talk about is the Small Business National Training Network. Here again we are very cost-efficient. We provided training in fiscal year 1993, the first year of the program, for \$12.57 a trained person. Already in 1994 we have reduced that to \$10.79 a trained person, and we have increased our attendance at each training session from 24 attendants to 34 people in attendance.

I want to emphasize that this is nonduplicative training, that these are trainings that are not done by SBDCs or by other SBA groups. Most of this is rural training which, for the most part, takes place in economically depressed areas. We are also taking care of the operational activities for the SBA by writing the checks and processing paperwork.

Another thing that I would like to point out, at the top of our list of successful training events, one of the most successful training events that we had this year, or I should say in fiscal year 1993, was the White Earth Reservation Tribal Council. We have a tremendous record with the Indians around the country, and have listed five of the training sites that we have. I want to emphasize this program did not start until March 1993.

We are going to small areas, we are going to areas where the SBDCs and SCORE and other programs have not gone. These are not duplications. The other thing I would like to point out is the size of the cities in which we are doing training and to hit close to home, Senator Bumpers, I would like for you to look at our programs in Ozark, AR; De Queen, AR; and Helena, AR. The size of those cities range from 3,000, to 4,000 to 9,000. The biggest training site in Delaware is a town of 935. This gives you an idea that we are going into places to train where nobody else has gone before and we are servicing people who have never been served before.

This is not a duplicative program. If this training program is wiped out, these people are not going to be served because they were never served before.

Thank you for your time.

[The prepared statement of Dr. Bradley follows:]

STATEMENT OF DON. B. BRADLEY III

THE SMALL BUSINESS ADVANCEMENT NATIONAL CENTER  
UNIVERSITY OF CENTRAL ARKANSAS

TESTIMONY BEFORE THE  
UNITED STATES SENATE COMMITTEE ON SMALL BUSINESS

Don B. Bradley III, PhD  
Executive Director, Small Business  
Advancement National Center and  
Professor of Marketing  
March 17, 1994

EXECUTIVE SUMMARY

The Small Business Advancement National Center is a national and international research, training, consulting, and information center funded primarily by the U.S. Congress and administered by the U.S. Small Business Administration. The National Center also receives support from the University of Central Arkansas and other public and private sources. Presently this Center houses the **largest electronic library in the world pertaining to small business and entrepreneurship**. The Small Business Advancement National Center houses five areas. They are: (1) the Small Business Advancement Network, (2) the Small Business National Training Network, (3) the Small Business Institute National Data Center, (4) the Small Business Center, and (5) International Exchange Program. Although a major part of the work is performed under the above entities, the work of the National Center is not limited to these five areas.

The main purpose of the Small Business Advancement National Center is to provide information, training, and counseling to help small businesses succeed. This includes gathering information on small business, entrepreneurship, international small business, and collegiate programs as well as providing research on these subjects. This information is then made available to small business researchers, educators, government, associations, small business owners, entrepreneurs, and to those who provide assistance to small businesses. The Center gladly provides assistance to any organization and frequently lends a helping hand to SBA, SCORE, SBDC, and SBI.

The Small Business Advancement Network is an electronic information source allowing instant access to research and current information pertaining to small business. This vast amount of information can be accessed anytime, anyplace, anywhere simply

through personal computer and modem or **Internet**. The Network is a communication tool linking government, education, foundations, and small business. Software, small business research, industry profiles, bulletins, small business contacts, grant sources, and international contacts are among the many topics available to Network users.

The Small Business National Training Network has reached out to provide training in untapped, rural, and economically depressed areas. This program is co-sponsored by the U.S. Small Business Administration. Training is performed by two-year institutions and organizations that are **not providing training through other SBA Programs**. During FY 1993, 4,620 attendees were trained at 194 events. This yielded an average of 24 attendees per event with a cost of \$12.57 per attendee. During FY 1994, the program has expanded by approximately 50 percent. Trainings as of the end of February 1994, totaled 2165 attendees at 63 trainings. To date this gives an average of 34 attendees per event with a cost of \$10.79 per attendee.

The Small Business Institute National Data Center serves as a clearinghouse for SBI information. Businesses wanting SBI assistance can obtain information on SBI schools from the Center. Research on the SBI Program is conducted at the Center to provide a better understanding for planning the Program. Since the Program's inception in 1975, it has provided approximately 370,000 students with valuable "real world" experience while also providing long-term counseling to approximately 150,000 small businesses.

### NATIONAL CENTER RESPONSE TO SBA'S FY 95 BUDGET REQUEST

The SBA's proposed FY 1995 budget does not include any money for unauthorized initiatives or the Small Business Institute Program. The Small Business Advancement National Center feels that Congress and the SBA should carefully review the contributions that both the Small Business Advancement National Center and the Small Business Institute Program have made to small businesses over the years before finalizing this budget. As has already been indicated in our Executive Summary, the National Center and the SBI Program are two of the most cost efficient programs not only in small business but for the entire federal government. The budgets for FY 94 are as follows: Small Business Advancement National Center \$200,000, Small Business National Training Network \$110,000, and the Small Business Institute Program \$3,000,000 (these funds are distributed nationally by the SBA and are not Center funds). When compared to most, if not all, of the other SBA partners, these funds provide more bang for the bucks than any other SBA expenditures. The Small Business Advancement National Center **has no other equal within SBA or the world**. It is the **largest electronic library** on small business and entrepreneurship in the world and at the present time it is available to its users for the cost of a phone call when using personal

computer and modem or free through **Internet**. It not only provides SBA personnel (see APPENDIX A) with valuable up-to-date information to make their job easier, but also to Small Business Institutes, Service Corps of Retired Executives, Small Business Development Centers, the Library of Congress, small businesses, and other small business related organizations.

The National Center feels that it can complement the existing Business Information Centers (BICs) that are already in operation and decrease the immediate need for more BICs by providing information electronic services to small businesses without geographical limitations. Each BIC costs approximately \$300,000. Through expansion of the Small Business Advancement Network, the operating cost of each BIC could be reduced as well as more people being served from their own business or home without having to travel.

The SBA could save funds by using the Small Business Advancement Network through **Internet**. When accessing the Network through Internet there is no long distance phone charge; therefore, communication is more cost efficient. **Internet** is a worldwide network that consists of other networks. Most universities, many governmental agencies, non-profit organizations, and numerous companies are electronically connected to the **Internet** Network. According to the latest figures, **Internet** consists of 25 million users from nearly one hundred countries. Once an organization pays a base fee, they can use the **Internet** as much as needed for no additional charge.

Through expansion of the Small Business National Training Network small business owners and potential owners that have not been reached in the past could be trained at a more cost efficient rate. The cost per person trained (\$10.79 for FY94 to \$12.57 for FY93 per person) and funds paid to each institution (\$200 per training) are much less than other training programs. The average number of attendees (34 for FY94 to 24 for FY93 per event) in these training areas has been very high and the trainings are of high quality. Groups such as Indians, women, and other minorities are being targeted (see APPENDIX B). Many of the trainings take place in rural (see APPENDIX C for examples) and economically depressed areas. All trainings performed by the Small Business National Training Network are not duplications of other SBA entities. A list of trainings for FY 1993 are included in APPENDIX D.



## SMALL BUSINESS ADVANCEMENT NATIONAL CENTER FEATURES

### Small Business Advancement Network

The Small Business Advancement Network is an electronic information source serving as a link between the U.S. Small Business Administration, the U.S. Congress, Small Business Institutes, Service Corp of Retired Executives, Small Business Development Centers, universities, colleges, community colleges, the U.S. Library of Congress, small businesses, and other small business related organizations. Members of the Network include users from all 50 states, the District of Columbia, and international users from all over the world. Data can be retrieved electronically by using a personal computer and a modem or through Internet (Internet address = 161.31.2.56 or SBANET.UCA.EDU). The SBANC staff can also be contacted through Prodigy (RXCD89A). Prodigy is a service that many small businesses use to keep up with national and world events.

### Small Business Advancement Network Features

#### \* Small Business Software Designed to Help The Small Business Owner

- (1) **Cash Flow** Statements Software
- (2) **Profit or Loss** Statements Software
- (3) **Business Loan** Software - helps determine the probability of obtaining an SBA loan.
- (4) **Business Plan** Software
- (5) **ValuSource Marketing Commander** - helps analyze the success of marketing campaigns.

This software can be downloaded and used as if it had been acquired on disk. The ValuSource software must be purchased from the company if deemed useful by the user.

#### \* On-line databases on:

- (1) Grants - private, state, and federal.
- (2) Call for papers - small business related and all functional business areas.

- (3) Proceedings publications - Small Business Institute Directors' Association Conference, Southwestern Small Business Institute Association Conference, and the International Council for Small Business.
- (4) International marketing research firms - contact names, addresses, and phone numbers from firms in 27 countries.
- (5) Small Business Institute Programs - contact names, addresses, and phone numbers from all SBI directors.
- (6) Service Corp of Retired Executives - contact names, addresses, and phone numbers from all SCORE offices.
- (7) Small Business Development Centers - contact names, addresses, and phone numbers from all SBDCs.
- (8) Small Business Advancement Network users -list of all that have access to the Network.

These databases can be searched for specific names or subjects pertaining to an area of interest. For example, an international small business contact could be found in the international marketing research database or a summary of an article on finance in small business could be found in the proceedings database.

After several articles are found on the desired subject, they can then be downloaded and viewed on screen at a worksite. Just select the database option from the main menu and a vast assortment of information can be accessed in a few short minutes.

\* Bulletins on small business news such as:

- (1) Conference information - program information and contact names.
- (2) News affecting small businesses - governmental and private sector news briefs.
- (3) Bulletins from SBA - policy changes, funding information, and small business news.
- (4) News briefs on the SBI Program - information from SBA and SBI directors.
- (5) Announcements made by the Small Business Institute Directors' Association - regional and national announcements.

- (6) Small Business Projects - economic development, research, and grant projects.
- (7) Training Schedules - Small Business National Training Network and other small business related trainings.
- (8) Network table of contents - file and topic listing of all information available on the Network.

Network bulletins can be viewed on-line while signed-on to the Network. Important small business information can be accessed instantly and used in efforts to help small business. Just select the bulletin listing option from the main menu, list the bulletins, and view the bulletin(s) that are of interest.

\* Research articles and information

- (1) Industry profiles - an analysis of the characteristics of specific industries (29 are currently available).
- (2) SBI publications - director and student manuals.
- (3) Small business articles - women, minorities, Asians, and Hispanics in small business & manufacturing and international small business.
- (4) Listing of small business articles - author, publications, date, and title of articles on small business, entrepreneurship, and finance.

These articles can be found in the list files directory of the Network under the option directory to contain publications. They can be downloaded to a computer and viewed or printed at the users convenience.

\* Electronic mail function

The electronic mail function allows one to send and receive messages from any Network user. A news release can be sent to all users of the Network or a private message can be sent to a colleague. The National Center can also be **contacted by Internet and Prodigy.**

\* Databases of small business contacts

- (1) SBA offices - national, regional, and district office contacts, addresses, and phone numbers.
- (2) Congressional offices - U.S. House of Representatives and U.S. Senate Small Business and Appropriations Committee appointees.
- (3) Staff contacts - Staffers for the U.S. House of Representatives and U.S. Senate Small Business Committees.
- (4) SBI directors - demographic information on SBI directors and their programs.

Valuable contacts of small business experts with expertise or interests in various areas can be accessed from the SBI database. Contacts for advocacy and SBA business development specialists can be found in the SBA, Congressional, and staffers databases.

### **Small Business National Training Network**

The Small Business National Training Network is a program to recruit community, junior and technical colleges, post-secondary educational institutions, technical and vocational schools, community organizations and adult education schools/programs to provide quality small business training events nationally. The educational institutions are under the direction of the U.S. Small Business Administration District Office in their area.

The program is being administered by the Small Business Advancement National Center (SBANC) in Conway, Arkansas. The SBANC and U.S. Small Business Administration are cosponsors of the Small Business National Training Network. Small Business Advancement National Center responsibilities are to monitor compliance of the educational institutions with program provisions and the reporting and disbursement of federal funds.

Small business training during 1992-93 took place at 42 institutions. Training events started in late March and continued through October 1993. Many of the training events are geared toward minorities, women, veterans, Indians, and the educationally disadvantaged.

The Small Business National Training Network presented 194 events with a total of 4,620 attendees. The program covered 25 states during FY 1993. Participating institutions received \$200.00 each for 5 training events for a total of \$1000.00. Each



participant was trained for a total cost of \$12.57. This investment in training was small considering the benefit received by attendees. This was truly a wise investment of our tax dollars.

The FY 1994 program has expanded by approximately 50 percent in a number of training institutions. Through February 1994, 58 institutions have been scheduled to perform training. It is expected that approximately 70 institutions will participate in the program by the end of FY 1994. Additional programs are expected from Montana, Puerto Rico, California, Oklahoma, and Virginia. The program continues to expand into new and untapped areas.

### **Small Business Institute National Data Center**

The primary activity of the SBI National Data Center is to gather demographic and statistical information on SBI Programs nationwide. This information is used for planning, analyzing, and better understanding the Small Business Institute Program. Data gathered by the National Center is provided to the U.S. Small Business Administration, U.S. Congress, state legislatures, Small Business Institute Directors' Association, and others involved with SBI. This information is available for downloading from the Small Business Advancement Network. Some examples of the demographic information are as follows:

- (1) Data on small business activities and projects being performed by SBI directors.
- (2) Listing of degrees and teaching areas of SBI personnel. This can be used to find directors with expertise in various areas.
- (3) Advanced and immediate notification of an SBI programs' willingness to help in disaster situations (see APPENDIX E).
- (4) Age, academic rank, ethnic background, gender, veteran status, address, and phone number of SBI directors are also available.

The Data Center is also used a point of contact for providing small businesses with information on the SBI Program such as contact names for assistance. A recent article in Inc. Magazine prompted approximately 200 small businesses or potential small business to call for information. A listing of all SBI director contacts is given in APPENDIX F.

### Small Business Institute Program

The mission of the Small Business Institute is to provide entrepreneurial education, strengthen the small business sector of the free enterprise system, enhance the small business environment, and support economic development through small business teaching, consultation, and research with small business and communities by college and university students under faculty supervision. A practical way to describe the SBI program is by its ultimate objective, which is to say: **"SBI is Education and Business Consulting Experience for Tomorrow's Leaders and Business Assistance for Today's Entrepreneurs."**

SBI provides three sets of broad activities to the local business community. These activities are particular to the college and university situation and were selected to maximize the contribution to the small business community from academe. The activities are consulting, research and training.

### Important SBI Impacts

- \* The Federal budget for FY 93 provided for 6,030 small business cases. The budget for FY 94 provides for 6,000 cases. The FY 94 budget is three million dollars.
- \* Expansion of many small businesses into international trade. Actually, in FY 93, two percent of the cases were to expand international trade.
- \* 1,250,000 hours of faculty-guided counseling are provided to small business clients by SBI each year. Private consulting at this level might cost \$40.00 per hour. But most of our small business clients could not afford this private consulting. This free consulting is valued conservatively at \$50 million.
- \* More than 12,500 students--tomorrow's leaders-- participate in the program annually. These young people are exposed to the entrepreneurial spirit, opportunities in small business, and the requirements for jobs.
- \* The 550 schools provide in-kind support of approximately \$5 million per year. This includes office space, electronic equipment support, clerical work, copy service, telephone, FAX, etc.
- \* Free consulting by the faculty members in support of the SBI cases at fair market rates would cost more than \$12 million annually.

- \* From this set of factors we can calculate the SBI leverage for its three million dollar budget:

Faculty guided student consulting	50,000,000.00
School in-kind support	5,000,000.00
Free faculty consulting in support of their SBI teams	<u>12,000,000.00</u>
<b>TOTAL</b>	<b>\$70,000,000.00</b>

- \* The SBI program leverages its \$3 million Federal budget by a factor of 23.3 to approximately \$70 million annually.
- \* In FY 1992, the SBA national office conducted a survey of former SBI clients across the country. One of the questions asked the clients to put a value on the SBI consulting project completed for them. These statistics are taken from that report and provide a customer's view of the SBI program's value. Our clients give us a **multiplier factor of seven**. This factor is still spectacular!

<u>Clients</u> <u>this value</u>	<u>Percentage citing</u> <u>Value</u>	<u>Average</u> <u>Value</u>	<u>Program</u>
6,000	37.9	500.00	1,137,000.00
6,000	58.2	5,000.00	17,460,000.00
6,000	4.0	10,000.00	<u>2,400,000.00</u>
<b>Grand Total</b>			<b>\$20,997,000.00</b>

Appendix G, located in the back of this testimony, lists the number of Small Business Institute Programs that are not affiliated with a Small Business Development Center.

### Small Business Center

The Small Business Center conducts local training seminars for the small business owners on a variety of topics to better educate and inform the small business owner or potential owner on how to be more productive, efficient, and profitable in their business endeavors. These seminars are designed to promote the overall economic development of the areas served. The Center is also available to coordinate training events and conferences for specialized groups such as Chambers of Commerce, professional organizations, etc.

The Center provides speakers and instructors on various topics and coordinates other arrangements such as site locations and any other necessary preparations for training conferences.

### **International Exchange Program**

The Small Business Advancement National Center is engaged in a two-year program entitled, "A Joint Venture For Cooperation In International Marketing, Entrepreneurship, and Small Business Management With Languages, Curriculum Development, and Student Exchange." The University of Central Arkansas is the lead institution in the United States and the University of Teesside in Middlesbrough, England, is the lead institution from the European Communities. Funding for the U.S. institutions was provided through a grant from the U.S. Department of Education.

The European Community universities will be funded from the European Community-United States Cooperation in Higher Education Programme. Participating institutions are the University of Teesside, Universidad Politecnica de Valencia (Spain), Ecole Supérieure de Commerce de St Etienne (France), and Haagse Hogeschool (Netherlands). Texas Tech University will join the University of Central Arkansas as the United States partner. The grant establishes a framework for cooperation in business studies with an orientation toward international marketing and entrepreneurship. The program design will enhance European Community/United States cooperation and benefit all institutions in the consortium by building upon the strengths of the members in international business and the preparation for fully integrated exchange periods. The partners can learn from the United States course structure, credit transfer, and university linkages with entrepreneurship and small businesses.

This program allows for an intensive language and cultural preparation in the United Kingdom or Netherlands prior to a study period in France or Spain, as well as an opportunity for some United States students to experience the North-South European "divide".

After the initial planning period, a student exchange program will take place during the school year 1994/95. This will be supported by parallel staff exchange for seminars, study visits, and evaluation purposes.

### **National Center Long-term Goals**

Long-term goals at the Small Business Advancement National Center include: having the largest base of research information on small business and entrepreneurship in the world; providing a satellite uplink for small business seminars and training; providing information to state legislatures on small business issues; becoming a technological and economic development research and training center; act as a clearinghouse for training concepts; and having sufficient resources for scholars to perform research at the Center.



APPENDIX A

SBA Personnel on the  
Small Business Advancement Network

## Small Business Advancement Network Users in the U.S. Small Business Administration

Region	State	First	Last	Address1	Address2	City
01	CT	James	Williams	Hartford District Office	330 Main St., 2nd Floor	Hartford
	MA	Sandy	Oretti	Boston Regional Office	135 Federal Street	Boston
	RI	Prancea	de Sousa	Providence District Office	380 Westminster Street	Providence
	NY	Robert	Blaney	Buffalo District Office	111 W. Burch Street - Room 1311	Buffalo
02		Preston	Drayer	Syracuse District Office	100 S. Clinton Street - Rm 1071	Syracuse
		Ernest	D'Addario	New York Regional Office	26 Federal Plaza - Room 31-08	New York
	DC	Gregory	Diercks	Office of Veterans Affairs	409 3rd Street SW	Washington
		Diane	Oannon	Business Information Center	409 3rd St., SW - 4th Floor	Washington
03		Richard	Ginsburg	409 3rd Street SW	Mailcode 7110	Washington
		John	Bebris	Central Office	409 3rd Street SW	Washington
		James	Steinar	Washington D.C. District Office	1111 18th Street, NW	Washington
		Patty	Felix	409 3rd Street SW		Washington
		Bill	Truitt	Office of Veterans Affairs	409 3rd Street SW	Washington
		George	Solomon	Office of Business Development	409 3rd Street SW, 6th Floor	Washington
		Michael	Wood	409 3rd Street SW 6400		Washington
		Anita	Irving	Washington D.C. District Office	1111 18th St., NW - 4th Floor	Washington
		Margaret	Bickey	SBA Reference Library	409 3rd Street SW	Washington
		Thomas	Kerester	Office of Advocacy	409 3rd St., SW	Washington
	MD	See	Reprogel	Baltimore District Office	10 N. Calvert Street	Baltimore
	PA	Steve	Drozda	Pittsburgh District Office	960 Penn Avenue - 5th Floor	Pittsburgh
		Michael	Wilkin	Philadelphia Regional Office	475 Allendale Road	King of Prussia
		Daniel	Sossaman	King of Prussia Regional Office	475 Allendale Road - Suite 201	King of Prussia
	VA	JoAnn	Redd	Richmond District Office	400 N. 8th St. - Room 3015	Richmond
	WV	David	Manley	Clarksburg District Office	168 W. Main Street	Clarksburg
04		Rick	Baney	168 W. Main Street 5th Floor	P.O. Box 1608	Clarksburg
	AL	Douglas	Braswell	Birmingham District Office	2121 North 8th Avenue - Suite 200	Birmingham
		Susan	Dunham	Birmingham District Office	2121 North 8th Avenue - Suite 200	Birmingham
	FL	Kurt	Fabian	Miami District Office	1320 S. Dixie Hwy., Suite 501	Coral Gables
		Norman	Lobbao	Miami District Office	1320 S. Dixie Hwy, Suite 501	Coral Gables
		Annette	Paulson	Jacksonville District Office	7825 Baymeadows Way - Suite 1008	Jacksonville
	GA	Dorothy	Dolan	Atlanta District Office	1720 Peachtree RD., NW - 6th Floor	Atlanta
	MS	Rick	Stauter	Gulfport Branch Office	One Hancock Plaza, Suite 1001	Gulfport
	NC	Kileen	Joyce	Charlotte District Office	222 S. Church Street	Charlotte
		Lenny	Lofie	200 North College St., Suite A2015		Charlotte
	TN	Clinton	Smith	Memphis District Office	50 Vantage Way, Suite 201	Memphis
		Saundra	Jackson	Memphis District Office	50 Vantage Way, Suite 201	Memphis

## Small Business Advancement Network Users in the U.S. Small Business Administration

Region	State	First	Last	Address1	Address2	City	
05	IL	James	Ryan	Springfield Branch Office	511 W. Capital, Suite 302	Springfield	
		Stan	Magiera	Chicago District Office	500 West Madison	Chicago	
		Steve	Ronkle	Chicago District Office	500 West Madison	Chicago	
		Arnold	Ochatoff	Chicago District Office	500 West Madison	Chicago	
		Valerie	Rose	Springfield Branch Office	511 W. Capital, Suite 302	Springfield	
		Samuel	McGrier	Chicago District Office	500 West Madison	Chicago	
		Richard	Rodriguez	Chicago District Office	500 West Madison	Chicago	
		Genise	King	Chicago District Office	500 West Madison	Chicago	
		Allen	Cook	Detroit District Office	477 Michigan Avenue	Detroit	
		MI					
06	MN	Michael	Lyons	Minneapolis District Office	100 N. 6th St., Suite 610-C	Minneapolis	
		Lisa	Perrin	Columbus District Office	2 Nationwide Plaza, Suite 1400	Columbus	
		Michael	Murray	Cleveland District Office	1240 E. 9th Street	Cleveland	
		Jim	Bren	Madison District Office	212 N. Washington Ave.	Madison	
		Andy	Lamonica	Little Rock District Office	2120 Riverfront Drive	Little Rock	
		Linda	Rice	2120 Riverfront Drive		Little Rock	
		Ted	Callaway	Little Rock District Office	2120 Riverfront Drive Suite 100	Little Rock	
		Loretta	Forse	1661 Canal Street, Suite 2000		Little Rock	
		Joyce	Jones	Oklahoma City District Office	200 M. W. 5th Street	New Orleans	
		OK	Jerry	Reese	Oklahoma City District Office	200 M. W. 5th Street	Oklahoma City
07	TX	Kenneth	Jennings	Dallas District Office	1100 Commerce Street - Room 3C-26	Dallas	
		Alonzo	Oracia	Sarlingen District Office	222 E. Van Buren Street	Sarlingen	
		Faye	Baughwout	Dallas Regional Office	8625 King George Dr, Bldg. C	Dallas	
		Diane	Cheshier	Dallas Regional Office	8625 King George Dr, Bldg. C	Dallas	
		Ken	Struble	Dallas Regional Office	8625 King George Dr., Bldg. C	Dallas	
		Clara	Keller	Corpus Cristi Branch Office	606 N. Carancahua, #1200	Corpus Criati	
		Laura	Walljaspor	Des Moines District Office	210 Walnut Street - Room 749	Des Moines	
		Christy	Blome	Des Moines District Office	210 Walnut St., Room 749	Des Moines	
		JC	Studer	Cedar Rapids District Office	373 Collins Road NE - Room 100	Cedar Rapida	
		Dennis	Olseer	Wichita District Office	100 E. English Suite 501	Wichita	
08	MO	Linda	Bailey	Kansas City District Office	323 W. 8th Street - Suite 501	Kansas City	
		Patty	Ingram	911 Walnut	13th Floor	Kansas City	
		David	Leavitt	Denver Regional Office	999 18th Street	Denver	
		Michelle	Johnston	Belena District Office	301 S. Park	Helena	
		Michael	Gallagher	P.O. Box 3086		Fargo	
		Alan	Baut	Fargo District Office	657 W. 2nd Avenue	Fargo	
		Chuck	Sughes	101 S. Main	Suite 101	Sioux Falls	
		SD					

## Small Business Advancement Network Users in the U.S. Small Business Administration

Region	State	First	Last	Address	Address2	City
09	UT	Jean	Fox	Salt Lake District Office	125 S. State Street, Room 2237	Salt Lake City
	WY	Steve	Despain	Casper District Office	100 East B. Street	Casper
	AZ	Carl	Papeofus	Phoenix District Office	2828 W. Central Avenue #800	Phoenix
		Osli	Gesell	Phoenix District Office	2828 W. Central Avenue #800	Phoenix
		Jane	Plotke	Phoenix District Office	2828 W. Central Avenue #800	Phoenix
10		Robert	Dunawsky	Phoenix District Office	2828 W. Central Ave, Suite 800	Phoenix
		Vince	Tamelleo	Phoenix District Office	2828 W. Central Avenue #800	Phoenix
	CA	Michael	Elkin	San Francisco District Office	211 Main Street	San Francisco
		Larry	Pier	San Francisco Regional Office	71 Stephenson St. - 20th Floor	San Francisco
		Nancy	Gilbertson	Fresno District Office	2719 N. Air Fresno Drive	Fresno
		Joseph	Sache	Los Angeles District Office	330 N. Grand Blvd. - Suite 1200	Glendale
	BI	Donna	Bopkins	300 ALA Moana Blvd., Room 2213	Box 50207	Honolulu
	NV	Patrick	Allison	Las Vegas District Office	301 East Stewart - Room 301	Las Vegas
	ID	Rodney	Gradsielewski	Boise District Office	1020 Main St., Suite 290	Boise
		Patricia	Sunt	1070 Main Street, Suite 290		Boise
Ron		Johnson	Portland District Office	222 S.W. Columbia - Suite 500	Portland	
WA	Sky	Records	Seattle Regional Office	2815 4th Avenue - Room 440	Seattle	
	Barlene	Robbins	Seattle District Office	915 Second Ave. - Room 1792	Seattle	
	Richard	Blum	Spokane District Office	601 1st Avenue, 10th Floor	Spokane	

Count: 40 91



## APPENDIX B

### Indian Related Training Sites

SMALL BUSINESS NATIONAL TRAINING NETWORK  
October 1, 1993 - September 30, 1994

Indian Related Training Sites:

ALASKA

Kenai Peninsula College - Kachemak Bay Branch  
Homer, AK

MINNESOTA

White Earth Reservation Tribal Council  
Mahnomen, MN

MONTANA

Blackfeet Community College  
Browning, MT

NEW MEXICO

Crownpoint Institute of Technology  
Albuquerque, NM

OKLAHOMA

Caddo-Kiowa Area Vocational Technical Center  
Ft. Cobb, OK

## **APPENDIX C**

### **Rural Sites**

SMALL BUSINESS NATIONAL TRAINING NETWORK  
October 1, 1993 - September 30, 1994

Rural Sites:

	Population
<b>DELAWARE</b>	
Delaware Technical & Community College Georgetown, DE	935
<b>NORTH DAKOTA</b>	
Southeast Area Vocational Technical Center Oakes, ND	2,112
<b>VERMONT</b>	
Vermont Technical College Randolph Center, VT	2,200
Northeast Employment & Training Organization, Inc. Newport, VT	4,756
<b>MAINE</b>	
Kennebec Valley Technical College Fairfield, ME	3,169
<b>WEST VIRGINIA</b>	
Mountain Aid Development Association Philippi, WV	3,375
<b>ARKANSAS</b>	
Arkansas Valley Technical Institution Ozark, AR	3,486
Cossatot Technical College De Queen, AR	4,594
Phillips County Community College Helena, AR	9,598
<b>SOUTH CAROLINA</b>	
Denmark Technical College Denmark, SC	4,434
<b>NEBRASKA</b>	
McCook Community College McCook, NE	8,200
<b>LOUISIANA</b>	
Community Resource Center, Inc. Leesville, LA	9,054



APPENDIX D

Small Business National Training Network  
Training Institutions

Small Business National Training Network  
October 1, 1992 - September 30, 1993

ALASKA

Kenai Peninsula College - Kachemak Bay Branch  
Ms. Carol Swartz  
(907) 235-7743

TRAINING

Conflict Resolution  
Starting a Business  
Balancing Career & Family  
Business & Self Esteem  
Promoting Your Business

ARKANSAS

Arkansas Valley Technical Institute  
Ms. Debbie Brockett  
(501) 667-2117

TRAINING

Networking on the Computer for Your  
School or Office  
Pre-Business Planning Seminar  
Tax Preparation for Small Business  
Total Quality Management  
Mailing Regulations for Small Business

Phillips County Community College  
Ms. Deborah King  
(501) 338-6474

TRAINING

Getting Ready for Your Own Business  
Organizing & Managing Your Own Business  
Targeting Markets for Your Products or  
Services  
Special Resources for Small Business  
Finding a Niche for Your Retail Business  
Marketing Without Advertising  
Understanding Financial Statements  
Developing a Business Plan

CALIFORNIA

The San Diego Community College  
Mr. Jim Smith  
(619) 527-5231

TRAINING

Starting Your Own Business (3)  
Legal/Tax/Insurance for Small Business (2)

## CALIFORNIA (cont.)

## Palomar College

Ms. Bonnie Ann Dowd

(619) 744-1150

## TRAINING

Contractors: Contract to the Government  
 Okay, I Made It, Now How Do I Market It  
 Everyday Filing & Records Management  
 How to Start Your Own Import/Export Business

## MiraCosta College

Mr. Thomas L. Severance

(619) 481-1171(mornings) or 757-2121, ext 388

## TRAINING

Getting Started in Import or Export  
 How to Start a Home-Based Business

## Cuyamaca College

Mr. Joseph D'Amato

(619) 448-5948 (or 670-1980 ext 247)

## TRAINING

How to Turn Your Ideas Into Cash  
 Total Quality Management  
 Building Teamwork  
 Winning Negotiating Skills  
 Managing Job Stress

## COLORADO

## Metropolitan State College of Denver

Mr. Stuart Monroe

(303) 556-3245

## TRAINING

Women/Minority Contractors Program  
 The Entrepreneurial Mindset  
 The Management Team  
 Legal Entities  
 Marketing  
 How to Avoid Small Business Pitfalls  
 Creating New Market Niches

## CONNECTICUT

## Housatonic Community College

Ms. Joyce C. Budd

(203) 579-6456

## TRAINING

Getting Starting Developing a Business Plan  
 Bookkeeping Part II

**DELAWARE**

Delaware Technical & Community College Southern Campus  
 Ms. Karen E. Hoke  
 (302) 856-5400

**TRAINING**

Starting Out in Business Basics  
 Entrepreneurial Issues at the Critical  
 Growth Stage  
 Sales Promotion Techniques

**GEORGIA**

Abraham Baldwin Agricultural College  
 Mr. Jeff Gibbs  
 (912) 386-3245

**TRAINING**

Creating Learning Organizations: Growth  
 Through Quality  
 Total Quality Management: Critical Issues on  
 Planning, Measurement, and Implementation  
 Practical Tools for Continuous Improvement  
 Peter F. Druker: Business and Management  
 System of Profound Knowledge

**IDAHO**

Idaho Branch, Inc. Associated General Contractors of  
 America

Ms. Bobbie Allaire  
 (208) 344-2531

**TRAINING**

Oral Communications (2)  
 Cost Awareness and Production Control  
 Written Communications (2)  
 Confined Space Entry Workshop  
 Excavation/Trenching Competent Person Workshop

**Child Care Connections**

Ms. Mary Lou Kinney  
 (208) 343-5437

**TRAINING**

Starting a Home Child Care Center (2)  
 Starting a Child Care Center Business (2)  
 Stretching Your Child Care Dollars by Cost  
 Effective Marketing  
 Starting A Child Care Home Business



## ILLINOIS

## The Women's Self-Employment Project

Ms. Connie E. Evans

(312) 606-8255

## TRAINING

Business Expansion-Introduction, Identifying  
Marketing & Advertising  
Tracking Income & Expenses  
Cash Flow, Balance Sheet  
Systems  
Entrepreneurial Training  
Marketing & Production Action Plan  
A Management Action Plan  
A Management & Financial Information Plan  
A Contingency Action Plan

## HAIMS (Helpful Assistance in Management Solutions)

Ms. Melissa E. Giovagnoli

(708) 882-9913

## TRAINING

Marketing, Sales, and Networking  
Marketing (2)  
Networking (2)

## LOUISIANA

## ACORN (Association of Community Organizations for Reform Now)

Ms. Beth Butler

(504) 943-0044

## TRAINING

Basic Accounting & Record Keeping  
Record Keeping Systems

## Women Entrepreneurs for Economic Development

Mr. Harvey Reed, III

(504) 827-1066

## TRAINING

Business Educational Series  
A Small Business Workshop

## MAINE

## Kennebec Valley Technical College

Dr. Douglas B. McGowan

(207) 453-9762 ext. 117

## TRAINING

Business Communication  
Business Psychology  
Introduction to DOS  
Word Perfect Overview  
Lotus Overview

## MASSACHUSETTS

Bunker Hill College  
Mr. Milton Samuels  
(617)-241-8600

## TRAINING

Borrowing for Your Business

Mount Wachusett Community College  
Mr. John Hughes  
(508) 632-6600

## TRAINING

Starting Your Own Small Business (4)

Home Based/Small Business Seminar Series

## MINNESOTA

White Earth Reservation Tribal Council  
Women's Business Center  
Ms. Mary Turner  
(218) 935-2827

## TRAINING

Employers Responsibilities

Advertising: An Investment in Your Business  
Future

Business Readiness

Marketing Crafts & Products to Tourists

Environment Concerns for Small Business

## NEBRASKA

Mid-Plains Community College Area  
Mr. Tom Gorman  
(308) 532-8980

## TRAINING

Home-Based Business Seminar

Small Business Marketing & Planning (4)

McCook Community College  
Ms. Jerda Garey  
(308) 345-6303

## TRAINING

Home Based Business

Marketing Your Business

Succeeding as a Supervisor

Developing Your Financial Business Plan

## NEBRASKA (cont.)

Central Community College  
Mr. Jim Svoboda  
(402) 463-9811

## TRAINING

Small Business Tax Workshop  
Introduction to WordPerfect 5.1  
Advertising & Marketing Workshop  
Introduction to Lotus 1-2-3  
Introduction to Windows

Metropolitan Community College  
Mr. Don Carlson  
(402) 449-8400

## TRAINING

Building and Developing a Business Plan  
Identifying a Market Niche  
Beginning Accounting & Bookkeeping  
Advertising and Promotion  
Effective Phone Skills for Sales

## NEW MEXICO

Southwestern Indian Polytechnic Institute  
Dr. Carolyn Elgin, President  
(505) 897-5364

## TRAINING

Economics of Free Enterprise  
Basic Accounting  
Business Math & Ten-key Calculator  
Human Relations in Marketing  
Computer Literacy

## NEW YORK

LaGuardia Community College  
Mr. Ben Hunt  
(718) 482-5050

## TRAINING

Business Plans and Business Planning  
Marketing  
Accounting and Finance  
Customer Service  
Computers & Computer Applications

NORTH DAKOTA

University of North Dakota - Williston  
Mr. Ronald L. Newman  
(701) 774-4200

TRAINING

Employee Motivation & EEO Laws  
Hiring Employees  
Profit Through Service  
Leadership & Quality Work Life  
Employee Termination

Grand Forks Public Schools  
Mr. Alan L. Sonnenberg  
(701) 746-2205, ext. 144

TRAINING

Advertising Principles  
Credit Management  
Personnel Principles & Policies  
Salesmanship  
Self, Time, & Human Resource Management  
Operating & Computerizing Your Business  
Basic Business Records & Financial Planning

OHIO

Cuyahoga Valley Vocational School  
Ms. Cecelia Jaskolski  
(216) 526-5200 ext 903

TRAINING

Purchasing a Computer  
Basic PC & DOS Concepts  
Introduction to Word Perfect 5.1  
Word Perfect Power Features  
Word Perfect Business Applications I  
Word Perfect Business Applications II  
Medlin Software Accounting Overview

Columbus State Community College  
Ms. Ann Hughes  
(614) 227-5000

TRAINING

Selecting Winners  
Achieving Quality Through ISO 9000  
Project BOSS-To Start a Small Business (2)  
Food Service Security



OKLAHOMA

Caddo-Kiowa Area Vocational-Technical Center

Mr. Jim Kunze

(405) 643-2387, ext. 133

TRAINING

Entrepreneurship

Recordkeeping and Tax Compliance

Business Planning and Home Based Business

Finance and Cash Flow Management

Advertising, Marketing, and Sales

OREGON

Oregon Downtown Development Association

Ms. Jenny Wyss-Jones

(503) 222-2182

TRAINING

Visual Merchandising (2)

SOUTH CAROLINA

Denmark Technical College

Mr. Bill McGhee

(803) 793-3301, ext 268

TRAINING

Small Business Loan Packaging

Swine Production

TEXAS

Texas State Technical College

Mr. Dewey Cooper

(817) 867-4844

TRAINING

Hazardous Materials Awareness

Introduction to Lead Abatement

UTAH

Salt Lake Community College

Mr. Sterling Francom

(801) 967-4111

TRAINING

Entrepreneurship for Single Parents

Homebased Workshop for Crafters

Homebased Workshop "The Game Plan"

Entrepreneurship for Single Parents

Homebased Workshop

VIRGINIA

Lynne Warrick Enterprises, Inc.  
Ms. Lynne Warrick  
(301) 365-3600

TRAINING

Expanding Exports in a Changing International  
Market  
Expanding Exports-Indonesian  
Doing Business With China  
Doing Business With Mexico  
Doing Business With West Africa

Arlington Public Schools  
Ms. Lorraine Thompson  
(703) 358-7220

TRAINING

Multicultural Marketing  
Developing a Business & Marketing Plan  
Tax Aspects for Small Business  
Small Business Startup  
Basic Bookkeeping for Small Business  
Develop a Business and Marketing Plan  
Basic Bookkeeping for Small Business  
Payroll for Small Business  
How to Use Marketing Newsletter to Gain  
Customers  
How to Write, Design, & Produce a Brochure  
Computer Accounting for Small Business

WEST VIRGINIA

Mountain Aid Development Association  
Ms. Jeanne Phillips  
(304) 457-1445

TRAINING

Balancing Priorities  
Building Business Workshop  
Developing a Business Plan  
Financial Factors of a Small Business  
Marketing

## **APPENDIX E**

# **SBI Programs Willing to Help in Disaster Situations**

Page No. 1

03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
AL	Alabama A & M University	Sylvanus S.	Ogburia	(205) 851-5685
AL	Auburn University	Benry	Burdg	(205) 844-4220
AL	Livingston University	Charles T.	Cook, Jr.	(205) 652-9661
AL	Univ. of Alabama - Birmingham	M. Vernon	Nabors	(205) 934-6760
AL	Univ. of Alabama - Tuscaloosa	K. Mark	Weaver	(205) 348-8947
AL	Univ. of North Alabama	William S.	Stewart	(205) 760-4262
AR	Arkansas College	James A. "Butch"	Kelley	(501) 698-4207
AR	Arkansas Tech University	Robert	Edwards	(501) 968-0673
AR	Barding University	Budd	Hebert	(501) 279-4552
AR	Benderson State University	Bill	Akin	(501) 246-5511
AR	Univ. of Arkansas - Fayetteville	John	Todd	(501) 575-4059
AR	Univ. of Arkansas - Little Rock	Frank	Hall	(501) 569-3353
AR	Univ. of Central Arkansas	Don B.	Bradley III	(501) 450-5345
AR	Univ. of the Ozarks	Robert L.	Wofford	(501) 754-3839
AZ	Arizona State Univ. - West	Diane R.	Geshwind	(602) 543-6225
AZ	Western International University	Gary	Berg	(602) 943-2311
CA	Cal. Lutheran University	Marcella	McGee	(805) 493-3361
CA	Cal. Poly. State Univ.	Walter W.	Perlick	(805) 756-1757
CA	Cal. State Univ. - Bakersfield	John F.	Sulpke	(805) 664-2175
CA	Cal. State Univ. - Fresno	Dewey E.	Johnson	(209) 278-2496
CA	Cal. State Univ. - Fullerton	Michael D.	Ames	(714) 773-2251
CA	Cal. State Univ. - Bayward	Richard L.	Singson	(510) 881-3557
CA	Cal. State Univ. - Long Beach	Filemon	Campo-Flores	(310) 985-4579
CA	Cal. State Univ. - Los Angeles	William A.	Cohen	(213) 343-2972
CA	Cal. State Univ. - Northridge	Mary T.	Curren	(818) 885-2070
CA	Cal. State Univ. - San Bernardino	Joseph B.	Lovell	(909) 880-5740
CA	Bumboldt State University	Peter B.	Kenyon	(707) 826-4762
CA	Monterey Institute of Intern. Studies	David	Roberts	(408) 647-4149
CA	Point Loma Nazarene College	Nancy M.	Bardison	(619) 221-2328
CA	San Diego State University	Boward R.	Toole	(619) 594-5328
CA	San Francisco State University	Florence	Stickney	(415) 338-2397
CA	San Jose State University	Marshall	Burak	(408) 924-3400
CA	Univ. of California - Los Angeles	Hans	Schollhammer	(310) 825-3045
CA	Univ. of Southern California - LA	William B.	Crookston	(213) 740-0649
CA	Westmont College	Roy J.	Millender, Jr.	(805) 969-5051
CO	Adams State College	J. Thomas	Gilmore	(719) 589-7161
CO	Fort Lewis College	Richard	Podlesnik	(303) 247-7296
CO	Mesa State College	Dale	Dickson	(303) 248-1213
CO	Metropolitan State College of Denver	Kenneth M.	Suggins	(303) 556-8312
CO	Univ. of Colorado - Colorado Spgs.	Robert	Knapp	(719) 593-3404
CO	Univ. of Denver	Maclyn L.	Clouse	(303) 871-3322
CO	Univ. of Northern Colorado	D. Lynn	Hoffman	(303) 351-1224
CO	Univ. of Southern Colorado	Donna	Watkins	(719) 549-2317
CO	Western State College	Thomas J.	Liesz	(303) 943-3055



Page No. 2

03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
CT	Western Connecticut State Univ.	John L.	Butler	(203) 797-4255
DE	Univ. of Delaware	Tim	Bristow	(302) 831-2747
FL	Barry University	Eddie	Dagheetani	(305) 899-3509
FL	Florida International University	Marvin	Nesbit	(305) 348-2272
FL	Florida State University	John R.	Kerr	(904) 644-7869
FL	Stetson University	Johnny	Duizend	(904) 822-7326
FL	Univ. of Central Florida	Ronald S.	Rubin	(407) 823-2682
FL	Univ. of Miami	Carl	McKenry	(305) 284-5846
FL	Univ. of North Florida	Lowell M.	Salter	(904) 646-2476
FL	Univ. of West Florida	Donald M.	Clause	(904) 474-2910
GA	Augusta College	Phil	Rutsahn	(706) 737-1562
GA	Georgia College	Arthur L.	Yahle	(912) 453-5772
GA	Georgia Southern University	Richard J.	Stapleton	(912) 681-5216
GA	Georgia Southwestern College	Robert L.	Stephens	(912) 928-1347
GA	Georgia State University	Lee	Quarterman	(404) 651-3550
GA	Kennesaw State College	Sally A.	Charles	(404) 423-6450
GA	Macon College	Clyde T.	Conine, Jr.	(912) 471-2724
GA	Univ. of Georgia	E. Walter	Wileon	(706) 542-3742
GA	West Georgia College	John R.	Wells	(404) 836-6467
GM	Univ. of Guam	Carol J.	Cozan	(671) 734-9444
HI	Univ. of Hawaii - Manoa	Joseph V.	Miccio	(808) 956-8485
HI	Univ. of Hawaii - West Oahu	Roland	Stillier	(808) 487-2137
IA	Suena Vista College	Artegai	Camburn	(712) 749-2416
IA	Central College	Robert	Bruns	(515) 628-5118
IA	Coe College	Pam	Caretans	(319) 399-8690
IA	Drake University	Robert A.	Kemp	(515) 271-2807
IA	Orend View College	Robert E.	Galligan	(515) 263-2970
IA	Iowa State University	Gary	Aitchison	(515) 294-8107
IA	Morningside College	Pamela L.	Mickelson	(712) 274-5473
IA	Univ. of Northern Iowa	Karen A.	Glynn	(319) 273-2128
ID	Boise State University	Ted	Rudder	(208) 385-3792
ID	Boise State University	Dick	Miller	(208) 385-1511
ID	College of Southern Idaho	Cindy	Bond	(208) 733-9554
ID	Idaho State University	John A.	Kilpatrick	(208) 236-3920
ID	Lewis - Clark State College	Helen M.	LeBoeuf	(208) 799-2465
ID	Univ. of Idaho	Bill	Parke	(208) 885-7158
IL	Bradley University	Aaron A.	Buchko	(309) 677-2273
IL	DePaul University	Harold P.	Welech	(312) 362-8471
IL	Elmhurst College	Martha	Sampeell	(708) 617-3117
IL	Governors State University	Christine	Cochrane	(708) 534-5000
IL	Illinois College	Marjorie	Meier	(217) 245-3420
IL	Illinois State University	Michael W.	Winchell	(309) 438-7932
IL	Millikin University	Sharon	Taylor-Alpi	(217) 424-6298
IL	Monmouth College	Kenneth G.	McMillan	(309) 457-2157
IL	Northwestern University	Stuart L.	Meyer	(708) 491-8688
IL	Rockford College	Jeffrey	Fahrenwald	(815) 226-4178
IL	Sangamon State University	Ramin	Maysami	(217) 766-7174
IL	Southern Illinois Univ. - Carbondale	Dennis D.	Cody	(618) 536-2424
IL	Southern Illinois Univ. - Edwardsville	Donald E.	Strickland	(618) 692-2750

Page No. 3  
03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
IL	Trinity Christian College	John W.	Kooyanga	(708) 597-3000
IL	Univ. of Illinois - Chicago	Chem	Naraysana	(312) 996-2680
IL	Univ. of Illinois - Urbana	Thomas W.	Trone	(217) 333-4241
IL	Western Illinois University	Fred	Smith	(309) 298-1625
IN	Anderson University	Michael D.	Wiese	(317) 641-4365
IN	Ball State University	Douglas	Naffziger	(317) 285-5312
IN	Grace College	Anthony J.	Avallone, Jr.	(219) 372-5200
IN	Indiana State University	William C.	Minnis	(812) 237-3232
IN	Indiana University - Northwest	C.L.	Scott III	(219) 980-6912
IN	Indiana University - Southeast	Edward M.	Rufft, Jr.	(812) 945-2643
IN	Indiana University/Purdue Univ.	Richard	Magjuka	(317) 274-0874
IN	Purdue University - Calumet	Jamaluddin H.	Busaio	(219) 989-2746
IN	Univ. of Evansville	Laurence R.	Steenberg	(812) 479-2387
IN	Univ. of Southern Indiana	Ernest H.	Hall, Jr.	(812) 465-7038
IN	Valparaiso University	Virginia B.	Langrehr	(219) 464-5401
KS	Benedictine College	Don F.	Leney	(913) 367-5340
KS	Bethany College	Bruce E.	Texley	(913) 227-3311
KS	Emporia State University	Bartlett J.	Finney	(316) 341-5308
KS	Emporia State University	Lisa	Brumbaugh	(316) 342-7162
KS	Kansas Newman College	Leah	Barnhard	(316) 942-4291
KS	Kansas State University	Frederick H.	Rice	(913) 532-5529
KS	Pittsburg State University	Thomas M.	Box	(316) 235-4582
KS	Univ. of Kansas	Michael	O'Donnell	(913) 864-7556
KS	Washburn University	Wayne R.	Glass	(913) 231-1010
KS	Wichita State University	Lewis	Paul, Jr.	(316) 689-3193
KY	Bellarmino College	John T.	Byrd	(502) 452-8473
KY	Eastern Kentucky University	Stephen	Brown	(606) 622-1377
KY	Morehead State University	Robert E.	Meadows	(606) 783-2475
KY	Univ. of Kentucky - Lexington	Jamea L.	Gibson	(606) 257-2961
KY	Univ. of Louisville	Bruce H.	Kemelgor	(502) 582-4788
KY	Western Kentucky University	Larry W.	Raybon	(502) 745-1900
LA	Louisiana State Univ. - Baton Rouge	Charles	D'Agostino	(504) 334-5555
LA	Louisiana Tech University	Art	Gilbert	(318) 257-3537
LA	Loyola University	Ronald	Schroeder	(504) 865-3187
LA	McNeese University	Paul R.	Arnold	(318) 475-5529
LA	Northeast Louisiana University	Paul	Dunn	(318) 342-1224
LA	Univ. of Southwestern Louisiana	Robert S.	Franz	(318) 231-6348
MA	Boston College	Michael	Peters	(617) 552-3998
MA	Boston University	Kip	Becker	(617) 353-2987
MA	Brandeis University	Kino	Ruth	(617) 736-2250
MA	Clark University	Barbara	Bigelow	(508) 793-7103
MA	Fitchburg State College	Louis J.	Zivic	(508) 345-2151
MA	Merrimack College	Joseph	Stasio, Jr.	(508) 837-4412
MA	North Adams State College	Gregory P.	O'Connor	(413) 654-4511
MA	Northeastern University	Robert	Stuart	(617) 373-5206
MA	Suffolk University	Joel	Corman	(617) 723-4700
MA	Univ. of Massachusetts - Amherst	Robert	Hopley	(413) 545-3927
MA	Univ. of Massachusetts - Boston	Lal C.	Chugh	(617) 287-7671

Page No. 4

03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
MA	Univ. of Massachusetts - Dartmouth	Peter	Hodges	(508) 999-8432
MA	Western New England College	Lynne	Kendall	(413) 737-6712
MA	Westfield State College	Nancy	Kotzen	(413) 572-5313
MD	Frostburg State University	Mark C.	Malec	(301) 689-4376
MD	Loyola College	Sereha B.	Desai	(410) 617-2395
MD	Salisbury State University	C. M. (Marty)	Green	(410) 546-3679
MD	Univ. of Maryland	Nancy	Brendon	(301) 405-2150
ME	Basson College	Jesse	Baker	(207) 941-7060
ME	Thomas College	Martin S.	Bresaler	(207) 873-0771
ME	Univ. of Maine - Presque Isle	Larry S.	Potter	(207) 764-0311
MI	Central Michigan University	Charles J.	Fitzpatrick	(517) 774-3270
MI	Kalamazoo College	Thomas C.	Breznau	(616) 337-7031
MI	Lawrence Technological University	Donald	Condit	(313) 356-0200
MI	Michigan Technological University	James "Jim" M.	Haicault	(906) 487-1245
MI	Northern Michigan University	Sal	Oorf	(906) 227-1237
MI	Spring Arbor College	William B.	Nichols, Jr.	(517) 750-1200
MI	Walsh College	Jackie	Stavros	(313) 689-8282
MI	Wayne State University	John G.	Maurer	(313) 577-4517
MI	Western Michigan University	Henry B.	Beam	(616) 387-5986
MN	Bemidji State University	Rod	Henry	(218) 755-2752
MN	Bethel College	Robert T.	Weaver	(612) 638-6400
MN	Mankato State University	Ken	Anglin	(507) 389-2713
MN	Moorhead State University	Leonard	Sliwoski	(218) 236-2289
MN	St. Cloud State University	Dawn	Jensen-Regnier	(612) 255-3215
MN	St. Mary's College	James	Bedtke	(507) 457-1458
MN	St. Olaf College	James G.	Rahman	(507) 646-3432
MN	Winona State University	Mark R.	Young	(507) 457-5671
MO	Columbia College	Anthony S.	Marshall	(314) 875-7558
MO	Evangel College	Dennis	Wubbena	(417) 869-2811
MO	Missouri Southern State College	Bernie	Johnson	(417) 625-9339
MO	Missouri Western State College	Paul F.	Jenner	(816) 271-4278
MO	Northeast Missouri State	Glen	Giboney	(816) 785-4307
MO	Northwest Missouri State University	John W.	Baker, Jr.	(816) 562-1699
MO	Rockhurst College	Richard E.	Bunt	(816) 926-4066
MO	Southeast Missouri State University	Steve	Byrd	(314) 651-2851
MO	Univ. of Missouri - Kansas City	Joseph F.	Singer	(816) 235-2320
MS	Univ. of Mississippi	Hugh J.	Sloan III	(601) 232-7414
MS	Univ. of Southern Mississippi	James L.	Davis	(601) 266-8474
MT	Eastern Montana College	William M.	Metheny	(406) 657-1609
MT	Montana Tech	Linda Kaufman	Grimm	(406) 496-4443
MT	Univ. of Montana	Richard T.	Dailey	(406) 243-6644
NC	Appalachian State University	John W.	Ray	(704) 262-6236
NC	Duke University	William A.	Sax	(919) 660-7741
NC	East Carolina University	Pamela M.	Hart	(919) 757-6063
NC	Univ. of North Carolina - Charlotte	Joyce M.	Beggs	(704) 547-2736

Page No. 5

03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
NC	Univ. of North Carolina - Greensboro	Benton "Bud"	Miles	(910) 314-5691
NC	Western Carolina University	James W.	Carland	(704) 227-7401
ND	Jamestown College	William J.	Klaudt	(701) 252-3467
NE	Chadron State College	Clifford	Hanson	(308) 432-6282
NE	Doane College	Silviya	Purkalitis	(402) 826-2161
NE	Heating College	Carol A.	Myers	(402) 463-2402
NE	Peru State College	David	Ruenhoff	(402) 872-2274
NE	Univ. of Nebraska - Kearney	Kay	Payne	(308) 234-8144
NE	Univ. of Nebraska - Lincoln	Larry W.	Cox	(402) 472-3358
NH	Daniel Webster College	Keith	Moon	(603) 883-3556
NH	Plymouth State College	Frank	Kopezynski	(603) 535-2318
NH	Rivier College	Raymond T.	Hubbard	(603) 888-1311
NJ	Fairleigh Dickinson University	Steve M.	Fulda	(201) 591-8842
NM	New Mexico State University	J. Stuart	Oevlin	(505) 646-6029
NV	Univ. of Nevada - Las Vegas	Sharolyn	Craft	(702) 895-0852
NY	Alfred University	Abderrahman	Robena	(607) 871-2226
NY	Clarkson University	Al	Kanters	(315) 268-2304
NY	Cornell University	Michael A.	Hudson	(607) 255-1576
NY	Cornell University	Peter	Rainsford	(607) 255-8746
NY	Dowling College	Michael J.	Moonay	(516) 244-3355
NY	Bofetra University	Matthew C.	Sonfield	(516) 463-5728
NY	Long Island University	George J.	Petrello	(718) 488-1126
NY	Manhattan College	Frederick D.	Greene	(718) 920-0455
NY	Mariet College	Herbert	Sherman	(914) 575-3000
NY	Niagara University	Gus	Kalogeras	(716) 286-8052
NY	Pace University	Harendra C.	Bhandari	(212) 346-1200
NY	Rochester Institute of Technology	Robert	Barbato	(716) 475-2350
NY	St. John Fisher College	Donald	Borbee	(716) 385-8000
NY	SUNY College - Binghamton	Brian B.	Perry	(607) 777-2912
NY	SUNY College - Buffalo	John P.	Burke	(716) 878-4030
NY	SUNY College - Fredonia	Franklin B.	Krohn	(716) 671-3504
NY	SUNY College - Genesee	Peter M.	Markulie	(716) 245-5367
NY	SUNY College - Utica/Rome	Albert	Mario	(315) 792-7556
NY	Syracuse University	Allan	Young	(315) 443-2807
OH	Ashland University	Kristen B.	Hovsepian	(419) 289-5228
OH	Baldwin-Wallace College	Thomas	Monroy	(216) 826-5927
OH	Cleveland State University	Jeffrey C.	Susbauer	(216) 687-4747
OH	Heidelberg College	Henry	Rennie	(419) 448-2221
OH	Kent State University	Thomas E.	Grove	(216) 672-1586
OH	Lake Erie College	Alvin	Kayloe	(216) 352-1161
OR	Marietta College	Edward B.	Osborne	(514) 376-4632
OH	Miami University	Michael S.	Broida	(513) 529-4841
OH	Ohio Northern University	Randall	Ewing	(419) 772-2070
OH	Ohio University	Dwight A.	Pugh	(614) 593-2055
OH	Univ. of Akron	Joseph C.	Latona	(216) 972-7117
OR	Univ. of Rio Grande	Krishna L.	Kool	(614) 245-5353
OR	Univ. of Toledo	Sonny S.	Arias	(419) 537-4060
OR	Walsh College	Paul F.	DuMont	(216) 499-7090
OH	Wittenberg University	Lowell E.	Stockstill	(513) 327-7902
OH	Wright State University	Jeanetta	Davy	(513) 873-2290
OH	Xavier University	Joseph K.	Ladd	(513) 745-2927



Page No. 6

03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
OH	Youngstown State University	E. Terry	Delderick	(216) 742-3082
OK	East Central University	Walter "Buddy"	Gaster	(405) 332-8000
OK	Langston University	Worth	Hadley	(405) 466-3263
OK	Northeastern State University	Ron	Jacob	(918) 456-5511
OK	Oklahoma Christian University	Robert W.	Smith	(405) 425-5566
OK	Oklahoma City University	E. Scott	Benley	(405) 521-5104
OK	Phillips University	Donald R.	Lang	(405) 237-4433
OK	Southern Nazarene University	Jeff	Seyfert	(405) 789-6400
OK	Southwestern Oklahoma State University	Barry	Nowka	(405) 774-3754
OK	Univ. of Central Oklahoma	Herbert O.	Giles	(405) 341-2980
OK	Univ. of Oklahoma	R.E.	Evans	(405) 325-2656
OR	Eastern Oregon State College	Verona Kay	Beguin	(503) 962-3618
OR	Portland State University	Desa W.	Bishoprick	(503) 725-3698
OR	Southern Oregon State College	Terry L.	Gaston	(503) 552-6713
OR	Univ. of Oregon	Randy W.	Swangerd	(503) 346-3349
OR	Willamette University	Stephen B.	Archer	(503) 370-6440
PA	Carnegie-Mellon University	Thomas M.	Canfield	(412) 576-3481
PA	Clarion Univ. of Pennsylvania	Woodrow W.	Yeasney, Jr.	(814) 226-2060
PA	Drexel University	Salon O.	Morgan	(215) 895-2143
PA	Duquesne University	Mary T.	McKinney	(412) 396-6233
PA	Lehigh University	John W.	Bonge	(215) 758-3980
PA	Marywood College	David C.	Adams	(717) 348-6274
PA	Millersville University	J. Douglas	Frazer	(717) 872-3574
PA	Point Park College	Albert	Kowalewski	(412) 392-3945
PA	Saint Francis College	John A.	Palko	(814) 472-3200
PA	Slippery Rock University	Royce A.	Lorentz	(412) 738-2592
PA	Susquehanna University	William J.	Sauer	(717) 372-4436
PA	Temple University	Geraldine A.	Perkins	(215) 204-7260
PA	Univ. of Pennsylvania	Robert J.	Chalfin	(215) 898-4856
PA	Univ. of Pittsburgh	Clarence F.	Curry	(412) 648-1673
PA	Villanova University	James W.	Klingler	(215) 645-4395
PA	Washington & Jefferson College	William B.	Boyles	(412) 229-5127
PA	West Chester University	Hung Mang	Chu	(215) 436-2649
PA	Westminster College	Tom E.	Rosenfarth	(412) 946-7169
PA	Wilkes University	Merle	Peper	(717) 831-4706
PR	Interamerican Univ. - Puerto Rico	Albert	Calem	(809) 250-1912
PR	Interamerican University - Aguadilla	Nancy	Acevedo	(809) 891-0925
PR	Pontifical Catholic University of P.R.	Nilda M.	Sede	(809) 841-2000
PR	Univ. of Phoenix	Praxedes	Rodriguez	(809) 731-5400
PR	Univ. of Puerto Rico - Aguadilla	Pedro Nelson	Gonzalez	(809) 890-2681
PR	Univ. of Puerto Rico - Mayaguez #1	Ramachandra R.	Asundi	(809) 832-4055
PR	Univ. of Puerto Rico - Mayaguez #2	Jose L.	Zayas-Castro	(809) 265-3819
PR	Univ. of Puerto Rico - Ponce Campus	Hector I.	Zayas-Ortiz	(809) 844-8181
RI	Univ. of Rhode Island	Tom	Policaastro	(401) 792-2451
SC	Clemson University	Janis L.	Miller	(803) 656-3757

Page No. 7

03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
SC	College of Charleston	Robert L.	Anderson	(803) 792-8108
SC	Francis Marion University	Donald E.	Kelley	(803) 661-1419
SC	Univ. of South Carolina	William	Sandberg	(803) 777-5980
SC	Winthrop University	Nathaniel A.	Barber	(803) 323-2283
SD	Augustana College	Bruce	Hanson	(605) 336-5308
SD	Black Hills State University	Randalei	Ellis	(605) 642-6091
SD	Dakota State University	Cecelia	Wittmayer	(605) 256-5181
SD	Northern State University	Scott	Peterson	(605) 622-2304
SD	Sioux Falls College	Timothy	Donahue	(605) 331-6756
SD	South Dakota State University	Richard	Shane	(605) 688-4862
TN	Austin Peay State University	Steven Jay	Anderson	(615) 648-7746
TN	Carson Newman College	Donald	Clark	(615) 475-9061
TN	East Tennessee State University	Don	Wilkinson	(615) 929-5275
TN	Univ. of Tennessee - Chattanooga	John	Fulmer	(615) 755-4101
TX	Abilene Christian University	Michael	Bolin	(915) 674-2048
TX	Angelo State University	Harlan L.	Bruha	(915) 942-2098
TX	Baylor University	Robert	Jones	(817) 755-2265
TX	East Texas State Univ. - Commerce	Robert M.	Noe	(901) 886-5695
TX	East Texas State Univ. - Texarkana	Larry R.	Davis	(901) 838-6514
TX	Houston Baptist University	George	Flowers	(713) 774-7661
TX	Lamar University	Dee M.	Wellan	(409) 880-2375
TX	Midwestern State University	Charles D.	Ramaer	(817) 689-4362
TX	Prairie View A & M University	Thomas M.	Moran	(409) 857-4010
TX	Southwest Texas State University	Roger D.	Scow	(512) 245-1183
TX	St. Mary's University	Edward G.	Cole	(210) 431-2039
TX	Sul Ross State Univ. - Alpine	Edward R.	Marcin	(915) 837-3734
TX	Tarleton State University	Rusty	Freed	(817) 968-9098
TX	Texas A & M University - Corpus Christi	Robert A.	Berg	(512) 994-5829
TX	Texas Tech University	Frederick C.	Volker	(806) 742-3461
TX	Texas Woman's University	Sherrill	Taylor	(817) 898-2111
TX	Univ. of Houston	Betsy	Gelb	(713) 743-4558
TX	Univ. of Houston - Clear Lake	Sam	Bruno	(713) 283-3122
TX	Univ. of Houston - Victoria	Ron M.	Sardeesai	(512) 788-6271
TX	Univ. of North Texas	Louis D.	Ponthieu	(817) 565-1155
TX	Univ. of St. Thomas	Anne	Davis	(713) 525-2124
TX	Univ. of Texas - Arlington	Ray M.	Ayres	(817) 273-3868
TX	Univ. of Texas - Austin	Allen H.	Bizzell	(512) 471-5921
TX	Univ. of Texas - El Paso	Frank	Boy	(915) 747-5241
TX	Univ. of Texas - Pan American	Henry Alton	Bridges	(210) 381-3361
TX	Univ. of Texas - Permian Basin	Thomas	Schaefer	(915) 367-2156
TX	Univ. of Texas - San Antonio	Jude	Valdez	(210) 558-2401
TX	Univ. of Texas - Tyler	Marilyn	Young	(903) 566-7273
TX	Wayland Baptist University	Emmitt R.	Tipton	(806) 296-5521
TX	West Texas State University	R. Ben	Neely	(806) 656-2495
UT	Brigham Young University	H. Keith	Hunt	(801) 378-2080
UT	Southern Utah University	Ed	Barrie	(801) 586-5403
UT	Univ. of Utah	Roger H.	Nelson	(801) 581-7458

Page No. 6

03/10/94

## SBI Directors Willing To Help With Disaster Relief

STATE	SCHOOL	FIRST NAME	LAST NAME	PHONE
UT	Utah State University	Steven H.	Benke	(801) 750-2373
UT	Weber State College	Brian	Davis	(801) 626-7947
VA	George Mason University	William	Schulte	(703) 993-1823
VA	James Madison University	Karen W.	Wigginton	(703) 568-3227
VA	Virginia Commonwealth University	George W.	Rimler	(804) 367-1467
VA	Virginia Polytechnic Institute	Herbert	Cork	(703) 231-7903
VA	Virginia State University	Barbare	Peery	(804) 524-5323
VT	Green Mountain College	Kenneth	Copp	(802) 287-9313
VT	Johnson State College	Genie K.	Williams	(802) 635-2356
VT	Univ. of Vermont	James M.	Kraushear	(802) 656-0498
WA	Central Washington University	James	Bradley	(509) 963-2915
WA	Eastern Washington University	Leo R.	Simpson	(509) 359-2474
WA	Contra Costa University	Willbenn	Terpening	(509) 328-4220
WA	Pacific Lutheran University	David E.	McNabb	(206) 535-7301
WA	Seattle University	Harriet	Stephanson	(206) 296-5702
WA	St. Martin's College	Cynthia J.	Cesner	(206) 438-4373
WA	Univ. of Washington	Karl H.	Vesper	(206) 543-6737
WA	Washington State University	Jerman	Rose	(509) 335-7703
WI	Cardinal Stritch College	Pravin	Kamdar	(414) 352-5400
WI	Marquette University	Ralph E.	Brownlee	(414) 288-7238
WI	Univ. of Wisconsin - LaCrosse	Janice	Gallagher	(608) 785-8782
WI	Univ. of Wisconsin - Milwaukee	Ann F.	Kate	(414) 227-3241
WI	Univ. of Wisconsin - Oshkosh	C. Burk	Tower	(414) 424-0351
WI	Univ. of Wisconsin - Parkside	Petricia M.	Dustech	(414) 595-2620
WI	Univ. of Wisconsin - Superior	Neil	Hensrud	(715) 394-8352
WV	Marshall University	John B.	Wellece	(304) 522-3806
WV	Shepherd College	Kenneth A.	Juul	(304) 876-2511
WV	West Liberty State College	John P.	McCullough	(304) 336-8053
WV	West Virginia University	Kunel	Benerji	(304) 293-7945
WY	Univ. of Wyoming	Gail M.	Gordon	(307) 768-2383
Total=		359		

## APPENDIX F

### SBI Schools and Directors



SBI Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
AK	Univ. of Alaska - Anchorage	William L.	Blachman	Anchorage	(907) 786-4121
AK	Univ. of Alaska - Fairbanks	David	Porter	Fairbanks	(907) 474-7878
AL	Alabama A & M University	Sylvanus S.	Ogburn	Huntsville	(205) 851-5685
AL	Auburn University	Henry	Burdg	Auburn	(205) 844-4220
AL	Jacksonville State University	Pat W.	Shaddix	Jacksonville	(205) 782-5271
AL	Livingston University	Charles T.	Cook, Jr.	Livingston	(205) 652-9661
AL	Troy State University	Janet W.	Bradshaw	Troy	(205) 670-3524
AL	Univ. of Alabama - Birmingham	M. Vernon	Nabors	Birmingham	(205) 934-6760
AL	Univ. of Alabama - Tuscaloosa	K. Mark	Weaver	Tuscaloosa	(205) 348-8947
AL	Univ. of North Alabama	William S.	Stewart	Florence	(205) 760-4262
AL	Univ. of South Alabama	Cheryl S.	Coleman	Mobile	(205) 460-6004
AR	Ark. State Univ.-Univ. Ctr. (Ft. Smith)	Michael	Epping	Fort Smith	(501) 788-7932
AR	Arkansas College	Jamee A. "Butch"	Kelley	Bateville	(501) 698-4207
AR	Arkansas State University	Melodie	Philhours	State University	(501) 972-3430
AR	Arkansas Tech University	Robert	Edwards	Russellville	(501) 968-0673
AR	Harding University	Budd	Hebert	Searcy	(501) 279-4552
AR	Henderson State University	Bill	Akin	Arkadelphia	(501) 246-5511
AR	Southern Arkansas University	Harry	Kolb	Magnolia	(501) 235-4313
AR	Univ. of Arkansas - Fayetteville	John	Todd	Fayetteville	(501) 575-4059
AR	Univ. of Arkansas - Little Rock	Frank	Hall	Little Rock	(501) 569-3353
AR	Univ. of Arkansas - Monticello	Mike	McGregor	Monticello	(501) 460-1041
AR	Univ. of Arkansas - Pine Bluff	William	Rucker	Pine Bluff	(501) 543-6826
AR	Univ. of Central Arkansas	Don B.	Bradley III	Conway	(501) 450-5345
AR	Univ. of the Ozarks	Robert L.	Wofford	Clarksville	(501) 754-3839
AZ	Arizona State Univ. - West	Diane R.	Geahwind	Phoenix	(602) 543-6225
AZ	Arizona State University	George T.	Doran	Tempe	(602) 965-7411
AZ	Northern Arizona University	Wayne	Fox	Flagstaff	(602) 523-7324
AZ	Western International University	Gary	Berg	Phoenix	(602) 943-2311
CA	Antelope Valley College	John	Berry	Lancaster	(805) 943-3241
CA	Cal. Lutheran University	Marcella	McGee	Thousand Oaks	(805) 493-3361
CA	Cal. Poly. State Univ.	Walter W.	Perlick	San Luis Obispo	(805) 756-1757
CA	Cal. State Univ. - Bakersfield	John P.	Bulpe	Bakersfield	(805) 664-2175
CA	Cal. State Univ. - Dominguez Hills	Rudolph I.	Estada	Carson	(310) 516-3551

03/10/94

## SBI Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
CA	Cal. State Univ. - Fresno	Dewey E.	Johnson	Fresno	(209) 278-2496
CA	Cal. State Univ. - Fullerton	Michael D.	Ames	Fullerton	(714) 773-2251
CA	Cal. State Univ. - Hayward	Richard L.	Singon	Hayward	(510) 881-3557
CA	Cal. State Univ. - Long Beach	Filemon	Campo-Flores	Long Beach	(310) 985-4579
CA	Cal. State Univ. - Los Angeles	William A.	Cohen	Los Angeles	(213) 343-2972
CA	Cal. State Univ. - Northridge	Mary T.	Curten	Northridge	(818) 885-2070
CA	Cal. State Univ. - Sacramento	Dennis H.	Tootelian	Sacramento	(916) 278-6203
CA	Cal. State Univ. - San Bernardino	Joseph B.	Lovell	San Bernardino	(909) 880-5740
CA	Fresno Pacific College	Consuelo M.	Meux	Fresno	(209) 453-2000
CA	Humboldt State University	Petar B.	Kenyon	Arcata	(707) 826-4762
CA	Loyola Marymount University	George	Hess	Los Angeles	(213) 338-7409
CA	Monterey Institute of Intern. Studies	David	Roberts	Monterey	(408) 647-4149
CA	Point Loma Nazarene College	Nancy M.	Hardison	San Diego	(619) 221-2328
CA	San Diego State University	Howard R.	Toole	San Diego	(619) 594-5328
CA	San Francisco State University	Florence	Stickney	San Francisco	(415) 338-2397
CA	San Jose State University	Marshall	Bursk	San Jose	(408) 924-3400
CA	Sonoma State University	ward	Casper	Rohnert Park	(707) 664-2377
CA	Univ. of California - Los Angeles	Hans	Schollhammer	Los Angeles	(310) 825-3045
CA	Univ. of Southern California - LA	William H.	Crocketon	Los Angeles	(213) 740-0649
CA	Westmont College	Roy J.	Millender, Jr.	Santa Barbara	(805) 969-5051
CO	Adams State College	J. Thomas	Oilmore	Alamosa	(719) 589-7161
CO	Fort Lewis College	Richard	Podlesnik	Durango	(303) 247-7296
CO	Mesa State College	Dale	Dickson	Grand Junction	(303) 248-1213
CO	Metropolitan State College of Denver	Kenneth M.	Buggins	Denver	(303) 556-8312
CO	Univ. of Colorado - Colorado Spgs.	Robert	Knapp	Colorado Springs	(719) 593-3404
CO	Univ. of Denver	Meclyn L.	Clouse	Denver	(303) 871-3322
CO	Univ. of Northern Colorado	D. Lynn	Hoffman	Greeley	(303) 351-1224
CO	Univ. of Southern Colorado	Donna	Watkins	Pueblo	(719) 549-2317
CO	Western State College	Thomas J.	Liesz	Gunnison	(303) 943-3055
CT	Central Connecticut State Univ.	Gene	Baten	New Britain	(203) 827-7239
CT	Univ. of Connecticut	Donald	Huffaire	Storrs	(203) 486-4309

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
CT	Western Connecticut State Univ.	John L.	Butler	Danbury	(203) 797-4255
DC	American University	Barbara	Bird	Washington	(202) 885-1924
DC	Howard University	Chigbo	Olong	Washington	(202) 806-1537
DE	Univ. of Delaware	Tim	Briarow	Newark	(302) 831-2747
FL	Barry University	Eddie	Oaghestani	Miami Shorea	(305) 899-3509
FL	Florida Atlantic University	Lawrence A.	Klatt	Boca Raton	(407) 367-3656
FL	Florida International University	Marvin	Neabitt	Miami	(305) 348-2272
FL	Florida State University	John R.	Kerr	Tallahassee	(904) 644-7869
FL	Stetson University	Johnny	Duizend	De Land	(904) 822-7326
FL	Univ. of Central Florida	Ronald S.	Rubin	Orlando	(407) 823-2682
FL	Univ. of Miami	Carl	McKenry	Coral Gables	(305) 284-5846
FL	Univ. of North Florida	Lovell M.	Salter	Jacksonville	(904) 646-2476
FL	Univ. of South Florida	Kenneth	Van Voorhis	Tampa	(813) 974-4155
FL	Univ. of Tampa	George	Pula	Tampa	(813) 253-6221
FL	Univ. of West Florida	Donald M.	Clauae	Pensacola	(904) 474-2910
GA	Augusta College	Phil	Rutsohn	Augusta	(706) 737-1562
GA	Georgia College	Arthur L.	Yehle	Milledgeville	(912) 453-5772
GA	Georgia Southern University	Richard J.	Stepleton	Statesboro	(912) 681-5216
GA	Georgia Southwestern College	Robert L.	Stephens	Americus	(912) 928-1347
GA	Georgia State University	Lee	Quarterman	Atlanta	(404) 651-3550
GA	Kennesaw State College	Sally A.	Charles	Marletta	(404) 423-6450
GA	Macon College	Clyde T.	Conine, Jr.	Macon	(912) 471-2724
GA	Mercer University	Alice M.	Ford	Atlanta	(404) 986-3362
GA	Univ. of Georgia	E. Welter	Wilson	Athens	(706) 542-3742
GA	West Georgia College	John R.	Wells	Carrollton	(404) 836-6467
GM	Univ. of Guam	Carol J.	Cozan	Mangilao	(671) 734-9444
HI	Univ. of Hawaii - Hilo	Robert	Stack	Bilo	(808) 933-3432
HI	Univ. of Hawaii - Manoa	Joseph V.	Miccio	Honolulu	(808) 956-8485
HI	Univ. of Hawaii - West Oahu	Roland	Stiller	Pearl City	(808) 487-2137
IA	Buena Vista College	Artegal	Camburn	Storm Lakes	(712) 749-2416
IA	Central College	Robert	Bruna	Pella	(515) 628-5118
IA	Coe College	Fan	Caratena	Cedar Rapids	(319) 399-8690
IA	Drake University	Robert A.	Kemp	Des Moines	(515) 271-2807
IA	Grand View College	Robert E.	Galligan	Des Moines	(515) 263-2970
IA	Iowa State University	Gary	Aitchison	Ames	(515) 294-8107
IA	Maharishi International	Dennis P.	Heaton	Fairfield	(515) 472-1191

## SBI Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
IA	University				
IA	Morningside College	Pamela L.	Mickelson	Sioux City	(712) 274-5473
IA	Stapson College	Marilyn	Mueller	Indianola	(515) 961-1574
IA	Univ. of Dubuque	Alice	Oriswold	Dubuque	(319) 589-3193
IA	Univ. of Iowa	Jarjis	Sa-Asdu	Iowa City	(319) 335-0930
IA	Univ. of Northern Iowa	Karen A.	Glynn	Cedar Falls	(319) 273-2128
ID	Boise State University	Ted	Rudder	Boise	(208) 385-3792
ID	Boise State University	Dick	Miller	Boise	(208) 385-1511
ID	College of Southern Idaho	Cindy	Bond	Twin Falls	(208) 733-9554
ID	Idaho State University	John A.	Kilpatrick	Pocatello	(208) 236-3920
ID	Lewis - Clark State College	Helen M.	LeBoeuf	Lewiston	(208) 799-2465
ID	Univ. of Idaho	Hill	Parks	Moscow	(208) 885-7158
IL	Bradley University	Aaron A.	Buchko	Peoria	(309) 677-2273
IL	Chicago State University	George	Harris	Chicago	(312) 995-3978
IL	DePaul University	Harold P.	Weisch	Chicago	(312) 362-8471
IL	Eastern Illinois University	Nancy A.	Wilson	Charleston	(217) 581-2913
IL	Elmhurst College	Martha	Sampson	Elmhurst	(708) 617-3117
IL	Governors State University	Christine	Cochrane	University Park	(708) 534-5000
IL	Illinois Benedictine College	Bruce S.	Buchowicz	Lisle	(708) 960-1500
IL	Illinois College	Marjorie	Misler	Jacksonville	(217) 245-3420
IL	Illinois State University	Michael W.	Winchell	Normal	(309) 438-7932
IL	Millikin University	Sharon	Taylor-Alpi	Decatur	(217) 424-6298
IL	Monmouth College	Kenneth G.	McMillan	Monmouth	(309) 457-2157
IL	Northeastern Illinois University	Hamid	Akbari	Chicago	(312) 794-2896
IL	Northern Illinois University	Daniel V.	Lemanski	Dekalb	(815) 753-0779
IL	Northwestern University	Stuart L.	Mayer	Evanston	(708) 491-8688
IL	Rockford College	Jeffrey	Pahrenwald	Rockford	(815) 226-4178
IL	Roosevelt University	Jerry	Pields	Chicago	(312) 341-3716
IL	Sangamon State University	Ramin	Mayasmi	Springfield	(217) 786-7174
IL	Southern Illinois Univ. - Carbondale	Dennis D.	Cody	Carbondale	(618) 536-2424
IL	Southern Illinois Univ. - Edwardsville	Donald E.	Strickland	Edwardsville	(618) 692-2750
IL	Trinity Christian College	John W.	Kooyenga	Palos Heights	(708) 597-3000
IL	Univ. of Illinois - Chicago	Chen	Narayana	Chicago	(312) 996-2680
IL	Univ. of Illinois - Urbana	Thomas N.	Trone	Champaign	(217) 333-4241
IL	Western Illinois University	Fred	Smith	Macomb	(309) 298-1625



STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
IN	Anderson University	Michael D.	Wisee	Anderson	(317) 641-4365
IN	Ball State University	Douglas	Maffziger	Muncie	(317) 285-5312
IN	Grace College	Anthony J.	Avalione, Jr.	Winona Lake	(219) 372-5200
IN	Indiana State University	William C.	Minnie	Terre Haute	(812) 237-3232
IN	Indiana University - Kokomo	Sita	Amba-Rao	Kokomo	(317) 455-9318
IN	Indiana University - Northwest	C.L.	Scott III	Gary	(219) 980-6912
IN	Indiana University - South Bend	John J.	Withey	South Bend	(219) 237-4310
IN	Indiana University - Southeast	Edward M.	Rufft, Jr.	New Albany	(812) 945-2643
IN	Indiana University/Purdue Univ.	Richard	Magjuka	Indianapolis	(317) 274-0874
IN	Purdue University	Arnold C.	Cooper	West Lafayette	(317) 494-4401
IN	Purdue University - Calumet	Jamaluddin H.	Hueain	Hammond	(219) 989-2746
IN	Purdue University North Central	Patricia Gervais	Jacoby	Westville	(219) 785-5392
IN	Univ. of Evansville	Laurence R.	Steenberg	Evansville	(812) 479-2387
IN	Univ. of Southern Indiana	Ernest H.	Hall, Jr.	Evansville	(812) 465-7038
IN	Valparaiso University	Virginia B.	Langrehr	Valparaiso	(219) 464-5401
KS	Benedictine College	Don F.	Laney	Atchison	(913) 367-5340
KS	Bethany College	Bruce E.	Texley	Lindsborg	(913) 227-3311
KS	Emporia State University	Barlett J.	Pinney	Emporia	(316) 341-5308
KS	Emporia State University	Lisa	Brumbaugh	Emporia	(316) 342-7162
KS	Fort Hays State University	Jerrold	Stark	Hays	(913) 628-5336
KS	Kansas Newman College	Leah	Barnhard	Wichita	(316) 942-4291
KS	Kansas State University	Frederick R.	Rice	Manhattan	(913) 532-5529
KS	MidAmerica Nazarene College	David	Wegley	Olathe	(913) 782-3750
KS	Pittsburg State University	Thomas M.	Box	Pittsburg	(316) 235-4582
KS	Univ. of Kansas	Michael	O'Donnell	Lawrence	(913) 864-7556
KS	Washburn University	Wayne R.	Glaas	Topeka	(913) 231-1010
KS	Wichita State University	Lewia	Paul, Jr.	Wichita	(316) 689-3193
KY	Bellarmine College	John T.	Byrd	Louisville	(502) 452-8473
KY	Eastern Kentucky University	Stephen	Brown	Richmond	(606) 622-1377
KY	Morehead State University	Robert E.	Meadows	Morehead	(606) 783-2475
KY	Thomas More College	Peter C.	Thornton	Crestview Hill	(606) 341-5800
KY	Univ. of Kentucky - Lexington	James L.	Gibson	Lexington	(606) 257-2961
KY	Univ. of Louisville	Bruce H.	Kewelgor	Louisville	(502) 582-4788
KY	Western Kentucky University	Larry W.	Raybon	Bowling Green	(502) 745-1900
LA	Louisiana State Univ. - Baton Rouge	Charles	D'Agostino	Baton Rouge	(504) 334-5555

BBI Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
	Rouge				
LA	Louisiana Tech University	Art	Gilbert	Ruston	(318) 257-3537
LA	Loyola University	Ronald	Schroeder	New Orleans	(504) 865-3187
LA	McNeese University	Paul B.	Arnold	Lake Charles	(318) 475-5529
LA	Northeast Louisiana University	Paul	Dunn	Monroe	(318) 342-1224
LA	Northwestern State University	Mary Lynn	Wilkinson	Natchitoches	(318) 357-5611
LA	Univ. of New Orleans	Kenneth J.	Lacho	New Orleans	(504) 286-6481
LA	Univ. of Southwestern Louisiana	Robert S.	Franz	Lafayette	(318) 231-6348
LA	Xavier University	Charles	Chakwa	New Orleans	(504) 483-7505
MA	Babson College	Marilyn	Bachelder	Babson Park	(617) 239-4501
MA	Boston College	Michael	Peters	Chestnut Hill	(617) 552-3998
MA	Boston University	Kip	Becker	Boston	(617) 353-2987
MA	Brandeis University	Kino	Ruth	Waltham	(617) 736-2250
MA	Clark University	Barbara	Bigelow	Worcester	(508) 793-7103
MA	Fitchburg State College	Louis J.	Zivic	Fitchburg	(508) 345-2151
MA	Herrimack College	Joseph	Stasio, Jr.	North Andover	(508) 837-4412
MA	North Adams State College	Gregory P.	O'Connor	North Adams	(413) 664-4511
MA	Northeastern University	Robert	Stuart	Boston	(617) 373-5206
MA	Suffolk University	Joel	Corson	Boston	(617) 723-4700
MA	Univ. of Massachusetts - Amherst	Robert	Hopley	Amherst	(413) 545-3927
MA	Univ. of Massachusetts - Boston	Lal C.	Chugh	Boston	(617) 287-7671
MA	Univ. of Massachusetts - Dartmouth	Peter	Bodges	North Dartmouth	(508) 999-8432
MA	Western New England College	Lynne	Kendall	Springfield	(413) 737-6712
MA	Westfield State College	Nancy	Kotzan	Westfield	(413) 572-5313
MD	Frostburg State University	Mary C.	Malec	Cumberland	(301) 689-4376
MD	Loyola College	Rareha B.	Desai	Baltimore	(410) 617-2395
MD	Salisbury State University	C. H. (Marty)	Green	Salisbury	(410) 546-3679
MD	Univ. of Baltimore	Lanny	Herron	Baltimore	(410) 625-3211
MD	Univ. of Maryland	Nancy	Brandon	College Park	(301) 405-2150
NE	Husson College	Jesse	Baker	Bangor	(207) 941-7060
NE	Thomas College	Martin S.	Bresler	Waterville	(207) 873-0771
NE	Univ. of Maine - Orono	Roderick A.	Forgran	Orono	(207) 581-1971
NE	Univ. of Maine - Presque Isle	Larry S.	Potter	Presque Isle	(207) 764-0311
NE	Univ. of Southern Maine	Warren	Purdy	Portland	(207) 780-4886

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
MI	Calvin College	David	Cook	Grand Rapids	(616) 957-7191
MI	Central Michigan University	Charles J.	Fitzpatrick	Mt. Pleasant	(517) 774-3270
MI	Ferris State University	Dale	Moneau	Big Rapids	(616) 592-2395
MI	Kalamazoo College	Thomas C.	Breznau	Kalamazoo	(616) 337-7031
MI	Lawrence Technological University	Donald	Condit	Southfield	(313) 356-0200
MI	Michigan Technological University	James "Jim" M.	Bainault	Boughton	(906) 487-1245
MI	Northern Michigan University	Hal	Dorf	Marquette	(906) 227-1237
MI	Spring Arbor College	William B.	Nichols, Jr.	Spring Arbor	(517) 750-1200
MI	Walsh College	Jackie	Stavros	Troy	(313) 689-8282
MI	Wayne State University	John O.	Maurer	Detroit	(313) 577-4517
MI	Western Michigan University	Henry B.	Beae	Kalamazoo	(616) 387-5986
MI	Western Michigan University	Ali	Metwalli	Grand Rapids	(616) 771-9478
MN	Bemidji State University	Rod	Henry	Bemidji	(218) 755-2752
MN	Bethel College	Robert T.	Weaver	St. Paul	(612) 638-6400
MN	Mankato State University	Ken	Anglin	Mankato	(507) 389-2713
MN	Moorhead State University	Kay	Braun	Moorhead	(218) 236-2289
MN	Moorhead State University	Leonard	Blivewski	Moorhead	(218) 236-2289
MN	St. Cloud State University	Dawn	Jensen-Regnier	St. Cloud	(612) 255-3215
MN	St. Mary's College	James	Bedtke	Winona	(507) 457-1458
MN	St. Olaf College	James G.	Ashman	Northfield	(507) 646-3432
MN	Univ. of Minnesota - Duluth	M. Lee	Jensen	Duluth	(218) 726-8758
MN	Univ. of St. Thomas	David P.	Brennan	St. Paul	(612) 962-5077
MN	Winona State University	Mark R.	Young	Winona	(507) 457-5671
MO	Avila College	Wendy	Acker	Kansas City	(816) 942-8400
MO	Central Missouri State University	Rodney C.	Sherman	Warrensburg	(816) 543-4026
MO	Columbia College	Anthony S.	Marshall	Columbia	(314) 875-7558
MO	Evangel College	Dennis	Wubben	Springfield	(417) 869-2811
MO	Fontbonne College	Donald	Shifter	Clayton	(314) 862-3456
MO	Missouri Southern State College	Bernie	Johnson	Joplin	(417) 625-9339
MO	Missouri Western State College	Paul F.	Jenner	St. Joseph	(816) 271-4278
MO	Northeast Missouri State	Olen	Giboney	Kirkville	(816) 785-4307
MO	Northwest Missouri State University	John W.	Baker, Jr.	Maryville	(816) 562-1699
MO	Rockhurst College	Richard E.	Bunt	Kansas City	(816) 926-4086

01/10/94

## 881 Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
MO	Southeast Missouri State University	Steve	Byrd	Cape Girardeau	(314) 651-2051
MO	Southwest Baptist University	Wayne	Clark	Bolivar	(417) 326-1951
MO	St. Louis University	Scott	Safranaki	St. Louis	(314) 658-2476
MO	Univ. of Missouri - Kansas City	Joseph F.	Singer	Kansas City	(816) 235-2320
MO	Univ. of Missouri - Rolla	Donald D.	Myers	Rolla	(314) 341-6152
MO	Univ. of Missouri - St. Louis	Peggy	Leaming	St. Louis	(314) 553-6294
MS	Delta State University	M. Elias	Dresden	Cleveland	(601) 846-4210
MS	Mississippi State University	J. William	Rush	Mississippi State	(601) 325-3817
MS	Univ. of Mississippi	Hugh J.	Sloan III	University	(601) 232-7414
MS	Univ. of Southern Mississippi	James L.	Devis	Hattiesburg	(601) 266-8474
MT	Eastern Montana College	William M.	Methany	Billings	(406) 657-1609
MT	Montana State University	Nancy	Dodd	Bozeman	(406) 994-6206
MT	Montana Tech	Linde Kaufman	Grimm	Butte	(406) 496-4443
MT	Univ. of Montana	Richard T.	Dailey	Missoula	(406) 243-6644
NC	Appalachian State University	John W.	Ray	Boone	(704) 262-6236
NC	Duke University	William A.	Sax	Durham	(919) 680-7741
NC	East Carolina University	Pamela M.	Eart	Greenville	(919) 757-6063
NC	Univ. of North Carolina - Chapel Hill	John F.	Workean	Chapel Hill	(919) 962-3143
NC	Univ. of North Carolina - Charlotte	Joyce M.	Beggs	Charlotte	(704) 547-2736
NC	Univ. of North Carolina - Greensboro	Benton "Bud"	Miles	Greensboro	(910) 334-5691
NC	Univ. of North Carolina - Wilmington	Stephen C.	Harper	Wilmington	(910) 395-3517
NC	Western Carolina University	James W.	Carland	Cullowhee	(704) 227-7401
ND	Dickinson State University	Debra M.	Dragaeth	Dickinson	(701) 227-2696
ND	Jamestown College	William J.	Klaudt	Jamestown	(701) 252-3467
ND	Minot State University	Keith L.	Witwer	Minot	(701) 857-3313
ND	North Dakota State University	Dale	Zetocha	Fargo	(701) 237-7502
ND	Univ. of North Dakota - Grand Forks	Dennis J.	Elbert	Grand Forks	(701) 777-2224
NE	Chadron State College	Clifford	Ranson	Chadron	(308) 432-6282
NE	Creighton University	Kathleen C.	Brennan	Omaha	(402) 280-2129
NE	Doane College	Silvijs	Purkaitis	Crete	(402) 826-2161
NE	Hastings College	Carol A.	Myers	Hastings	(402) 463-2402



STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
NE	Peru State College	David	Ruanholl	Peru	(402) 872-2274
NE	Univ. of Nebraska - Kearney	Key	Payna	Kearney	(308) 234-8344
NE	Univ. of Nebraska - Lincoln	Larry W.	Cox	Lincoln	(402) 472-3158
NE	Univ. of Nebraska - Omaha	Jacki	Staudt-Netzel	Omaha	(402) 595-2381
NH	Daniel Webster College	Keith	Moon	Nashua	(603) 883-3556
NH	Keene State College	Neal	Pruchanaky	Keene	(603) 358-2624
NH	New Hampshire College	Thomas P.	McGravey	Manchester	(603) 645-3129
NH	Plymouth State College	Frank	Kopezynski	Plymouth	(603) 535-2318
NH	Rivier College	Raymond T.	Hubbard	Nashua	(603) 888-1311
NS	Univ. of New Hampshire	Neien	Goodman	Durham	(603) 862-2200
NJ	Fairleigh Dickinson University	Steve M.	Pulda	Madison	(201) 593-8842
NJ	Montclair State College	John	Tata	Upper Montclair	(201) 893-7470
NJ	New Jersey Institute of Technology	Bruce A.	Kirchhoff	Newark	(201) 596-5658
NJ	Rowan State College	Robert	Lynch	Glassboro	(609) 863-5392
NM	New Mexico State University	J. Stuart	Devlin	Las Cruces	(505) 646-6029
NM	Univ. of New Mexico	John E.	Young	Albuquerque	(505) 277-4702
NV	Univ. of Nevada - Las Vegas	Sharolyn	Craft	Las Vegas	(702) 895-0852
NV	Univ. of Nevada - Reno	Terry K.	Herman	Reno	(702) 784-1717
NY	Alfred University	Abderrahman	Robana	Alfred	(607) 871-2226
NY	Canisius College	Gregory	Wood	Buffalo	(716) 888-2644
NY	Clarkson University	Al	Kantera	Potdam	(315) 268-2304
NY	Cornell University	Michael A.	Hudson	Ithaca	(607) 255-1576
NY	Cornell University	Peter	Rainsford	Ithaca	(607) 255-8748
NY	Dowling College	Michael J.	Mooney	Oakdale	(516) 244-3355
NY	Hofstra University	Matthew C.	Sonfield	Hempstead	(516) 463-5728
NY	Long Island University	George J.	Petrello	Brooklyn	(718) 488-1126
NY	Manhattan College	Frederick D.	Greane	Bronx	(718) 920-0455
NY	Marist College	Herbert	Sharman	Poughkeepsie	(914) 575-3000
NY	Niagara University	Gus	Kalogeras	Niagara Falls	(716) 286-8052
NY	Pace University	Narendra C.	Shandari	New York	(212) 346-1200
NY	Rochester Institute of Technology	Robert	Barbato	Rochester	(716) 475-2350
NY	Skidmore College	Martin J.	Canavan	Saratoga Springs	(518) 584-5000
NY	St. John Fisher College	Donald	Borbee	Rochester	(716) 385-8000
NY	SUNY College - Albany	Thomas C.	Dandridge	Albany	(518) 442-3510
NY	SUNY College - Binghamton	Brian H.	Perry	Binghamton	(607) 777-2912
NY	SUNY College - Buffalo	John P.	Burke	Buffalo	(716) 878-4030

Page No. 10  
03/10/94

## SBI Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
NY	SUNY College - Fredonia	Franklin B.	Krohn	Fredonia	(716) 673-3504
NY	SUNY College - Genesee	Peter H.	Markulis	Genesee	(716) 245-5367
NY	SUNY College - Utica/Rose	Albert	Marlo	Utica	(315) 792-7556
NY	Syracuse University	Allan	Young	Syracuse	(315) 443-2807
OH	Ashland University	Kristen B.	Bovaepian	Ashland	(419) 289-5228
OH	Baldwin-Wallace College	Thomas	Monroy	Berea	(216) 826-5927
ON	Bluffton College	William	Lyons	Bluffton	(419) 358-8015
OH	Cspital University - Columbus	Mary L.	Nicasiro	Columbus	(614) 236-6134
OH	Cleveland State University	Jeffrey C.	Subauer	Cleveland	(216) 687-4747
OH	Heidelberg College	Benry	Rennie	Tiffin	(419) 448-2221
OH	Kent State University	Thomas E.	Grove	Kent	(216) 672-3586
OH	Lake Erie College	Alvin	Kayloe	Painesville	(216) 352-3361
OH	Marietta College	Edward H.	Osborne	Marietta	(614) 376-4632
OH	Miami University	Michael S.	Broida	Oxford	(513) 529-4841
OH	Ohio Northern University	Randall	Ewing	Ada	(419) 772-2070
OH	Ohio University	Dwight A.	Fugh	Athens	(614) 593-2055
OH	Univ. of Akron	Joseph C.	Latona	Akron	(216) 972-7337
OH	Univ. of Cincinnati	Charles H.	Matthews	Cincinnati	(513) 556-7123
OH	Univ. of Rio Granda	Krishna L.	Kool	Rio Granda	(614) 245-5353
OH	Univ. of Toledo	Sonny S.	Arlas	Toledo	(419) 537-4060
OH	Walsh College	Paul F.	DuMont	North Canton	(216) 499-7090
OH	Wittenberg University	Lowell E.	Stockstill	Springfield	(513) 327-7902
OH	Wright State University	Jeanette	Davy	Dayton	(513) 873-2290
OH	Xavier University	Joseph K.	Ladd	Cincinnati	(513) 745-2927
OH	Youngstown State University	R. Terry	Deiderick	Youngstown	(216) 742-3082
OK	East Central University	Walter "Buddy"	Gaster	Ada	(405) 332-8000
OK	Langston University	Worth	Badley	Langston	(405) 466-3263
OK	Northeastern State University	Ron	Jacob	Tahlequah	(918) 456-5511
OK	Oklahoma Christian University	Robert W.	Smith	Oklahoma City	(405) 425-5566
OK	Oklahoma City University	E. Scott	Benley	Oklahoma City	(405) 521-5104
OK	Oklahoma State University	Vance B.	Fried	Stillwater	(405) 744-8633
OK	Oral Roberts University	George	Oillen	Tulsa	(918) 495-6555
OK	Phillips University	Donald R.	Lang	Enid	(405) 237-4433
OK	Southeastern Oklahoma State University	Richard	Buckles	Durant	(405) 924-0121
OK	Southern Nazarene University	Jeff	Seyfert	Bethany	(405) 789-6400
OK	Southwestern Oklahoma State University	Harry	Nowka	Weatherford	(405) 774-3754

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
OK	Univ. of Central Oklahoma	Herbert O.	Giles	Edmond	(405) 341-2980
OK	Univ. of Oklahoma	R.E.	Evans	Norman	(405) 325-2656
OR	Eastern Oregon State College	Verona Kay	Beguin	La Grande	(503) 962-3818
OR	Oregon State University	Dave	Gobell	Corvallis	(503) 737-6007
OR	Portland State University	Deen W.	Bishoppick	Portland	(503) 725-3698
OR	Southern Oregon State College	Terry L.	Gaston	Ashland	(503) 552-6713
OR	Univ. of Oregon	Randy W.	Swangard	Eugene	(503) 346-3349
OR	Western Oregon State College	Martha	Sargent	Monmouth	(503) 838-8350
OR	Willamette University	Stephen R.	Archer	Salem	(503) 370-6440
OR	Willamette University	Bruce	Gates	Salem	(503) 370-6224
PA	Bucknell University	Timothy W.	Sweeney	Lewisburg	(717) 524-3386
PA	Carnegie-Mellon University	Thomas H.	Canfield	Pittsburgh	(412) 578-3481
PA	Clarion Univ. of Pennsylvania	Woodrow W.	Yeane, Jr.	Clarion	(814) 226-2060
PA	Drexel University	Solon D.	Morgan	Philadelphia	(215) 895-2143
PA	Duquesne University	Mary T.	McKinney	Pittsburgh	(412) 396-6233
PA	Gannon University	Ernie	Post	Erie	(814) 871-7713
PA	Indiana University of Pennsylvania	Thomas	Falcone	Indiana	(412) 357-2535
PA	King's College	Edward	Schoen	Wilkes-Barre	(717) 826-5900
PA	Lehigh University	John W.	Bonge	Bethlehem	(215) 758-3980
PA	Lehigh University	John E.	Stevens	Bethlehem	(215) 758-3980
PA	Marywood College	David C.	Adams	Scranton	(717) 348-6274
PA	Millersville University	J. Douglas	Prazer	Millersville	(717) 872-3574
PA	Penn State Univ. - Harrisburg	Krishna	Dhir	Middletown	(717) 948-6069
PA	Penn State Univ. - Univ. Park	Roger	Dagen	University Park	(814) 863-0474
PA	Point Park College	Albert	Kowalewski	Pittsburgh	(412) 392-3945
PA	Saint Francis College	John A.	Paiko	Loretto	(814) 472-3200
PA	Shippensburg University	David A.	Yingling	Shippensburg	(717) 532-1430
PA	Slippery Rock University	Royce A.	Lorentz	Slippery Rock	(412) 738-2592
PA	Susquehanna University	William J.	Sauer	Selinsgrove	(717) 372-4436
PA	Temple University	Geraldine A.	Perkins	Philadelphia	(215) 204-7260
PA	Univ. of Pennsylvania	Robert J.	Chalfin	Philadelphia	(215) 898-4856
PA	Univ. of Pittsburgh	Clarence P.	Curry	Pittsburgh	(412) 648-1673
PA	Univ. of Scranton	Len	Tischler	Scranton	(717) 941-7782
PA	Villanova University	Jamie W.	Klingler	Villanova	(215) 645-4395
PA	Washington & Jefferson College	William B.	Boyles	Washington	(412) 229-5127
PA	West Chester University	Hung Mang	Chu	West Chester	(215) 436-2649
PA	Westminster College	Tom E.	Rosengarth	New Wilmington	(412) 946-7169

## S&amp;I Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
PA	Wilkes University	Merle	Paper	Wilkes-Barre	(717) 831-4706
PR	Interamerican Univ. - Puerto Rico	Albert	Calem	San Juan	(809) 250-1912
PR	Interamerican University - Aquadilla	Nancy	Acevedo	Aquadilla	(809) 891-0925
PR	Pontifical Catholic University of P.R.	Nilda M.	Seda	Ponce	(809) 841-2000
PR	Univ. of Phoenix	Praxedas	Rodriguez	Guaynabo	(809) 731-5400
PR	Univ. of Puerto Rico - Aquadilla	Pedro Nelson	Gonzalez	Aquadilla	(809) 890-2681
PR	Univ. of Puerto Rico - Mayaguez #1	Ramachandra K.	Asundi	Mayaguez	(809) 832-4055
PR	Univ. of Puerto Rico - Mayaguez #2	Jose L.	Zayas-Castro	Mayaguez	(809) 265-3819
PR	Univ. of Puerto Rico - Campus	Hector I.	Zayas-Ortiz	Ponce	(809) 844-8181
RI	Bryant College	Sue	Barker	Smithfield	(401) 232-6111
RI	Johnson & Wales University	Paul	Trznadel	Providence	(401) 456-1490
RI	Johnson & Wales University	Irving	Schneider	Providence	(401) 456-1490
RI	Roger Williams University	Anthony V.	Iannucelli	Bristol	(401) 254-3101
RI	Salve Regina University	Edward	Turilli	Newport	(401) 847-6650
RI	Univ. of Rhode Island	Tom	Pollicastro	Kingston	(401) 792-2451
SC	Clemson University	Janis L.	Miller	Clemson	(803) 656-3757
SC	College of Charleston	Robert L.	Anderson	Charleston	(803) 792-8108
SC	Francis Marion University	Donald E.	Kelley	Florence	(803) 661-1419
SC	Univ. of South Carolina	William	Sandberg	Columbia	(803) 777-5980
SC	Winthrop University	Nathaniel A.	Sarber	Rock Hill	(803) 323-2283
SD	Augustana College	Bruce	Hanson	Sioux Falls	(605) 336-5308
SD	Black Hills State University	Randael	Ellis	Spearfish	(605) 642-6091
SD	Dakota State University	Cecelia	Wittmayer	Nadison	(605) 256-5181
SD	Northern State University	Scott	Peterson	Aberdeen	(605) 622-2304
SD	Sioux Falls College	Timothy	Donahue	Sioux Falls	(605) 331-6756
SD	South Dakota State University	Richard	Shane	Brookings	(605) 688-4862
SD	Univ. of South Dakota	Chris	Carson	Vermillion	(605) 677-5537
TN	Austin Peay State University	Steven Jay	Anderson	Clarksville	(615) 648-7746
TN	Carson Newman College	Donald	Clark	Jefferson City	(615) 475-9061
TN	East Tennessee State University	Don	Wilkinson	Johnson City	(615) 929-5275



STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
TN	Memphis State University	George	Mickle	Memphis	(901) 678-2500
TN	Tennessee Technological University	Virginia	Moore	Cookeville	(615) 372-3371
TN	Univ. of Tennessee - Chattanooga	John	Fulmer	Chattanooga	(615) 759-4101
TN	Vanderbilt University	Neal	Nadler	Nashville	(615) 322-8414
TX	Abilene Christian University	Michael	Bolin	Abilene	(915) 674-2048
TX	Angelo State University	Harlan L.	Bruha	San Angelo	(915) 942-2098
TX	Baylor University	Robert	Jones	Waco	(817) 755-2265
TX	East Texas State Univ. - Commerce	Robert M.	Noe	Commerce	(903) 886-5695
TX	East Texas State Univ. - Texarkana	Larry R.	Davia	Texarkana	(903) 838-6514
TX	Houston Baptist University	George	Flowers	Houston	(713) 774-7661
TX	Lamar University	Dae M.	Wellen	Beaumont	(409) 880-2375
TX	Midwestern State University	Charles D.	Resser	Wichita Falls	(817) 689-4362
TX	Prairie View A & M University	Thomas M.	Moran	Prairie View	(409) 857-4010
TX	Southwest Texas State University	Roger D.	Scow	San Marcos	(512) 245-3183
TX	St. Edwards University	Mark S.	Poulos	Austin	(512) 448-8608
TX	St. Mary's University	Edward G.	Cole	San Antonio	(210) 431-2039
TX	Stephen F. Austin State University	William T.	Jackson	Nacogdoches	(409) 568-4103
TX	Sul Ross State Univ. - Alpine	Edward R.	Marcin	Alpine	(915) 837-3734
TX	Tarleton State University	Jerry	Delray	Stephenville	(817) 968-9098
TX	Tarleton State University	Rusty	Freed	Stephenville	(817) 968-9098
TX	Texas A & I University	Allen P.	Ketcham	Kingsville	(512) 595-2148
TX	Texas A & M University - Corpus Christi	Robert A.	Berg	Corpus Christi	(512) 994-5829
TX	Texas Southern University	Emlyn A.	Norman	Houston	(713) 527-7892
TX	Texas Tech University	Frederick C.	Volker	Lubbock	(806) 742-3461
TX	Texas Woman's University	Sherrill	Taylor	Denton	(817) 898-2111
TX	Univ. of Houston	Betsy	Gelb	Houston	(713) 743-4558
TX	Univ. of Houston - Clear Lake	Sam	Bruno	Houston	(713) 283-3122
TX	Univ. of Houston - Downtown	Margaret P.	Shipley	Houston	(713) 221-8571
TX	Univ. of Houston - Victoria	Ron M.	Sardeesai	Victoria	(512) 788-6271
TX	Univ. of North Texas	Louie D.	Ponthieu	Denton	(817) 565-3155
TX	Univ. of St. Thomas	Anne	Davis	Houston	(713) 525-2124

SBI Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
TX	Univ. of Texas - Arlington	Ray M.	Ayres	Arlington	(817) 273-1868
TX	Univ. of Texas - Austin	Allen H.	Bizzell	Austin	(512) 471-5921
TX	Univ. of Texas - El Paso	Frank	Roy	El Paso	(915) 747-5241
TX	Univ. of Texas - Psn American	Henry Alton	Bridges	Edinburg	(210) 381-3361
TX	Univ. of Texas - Permian Basin	Thomas	Schaefer	Odeasa	(915) 367-2156
TX	Univ. of Texas - San Antonio	Jude	Valdez	San Antonio	(210) 558-2401
TX	Univ. of Texas - Tyler	Marlynn	Young	Tyler	(903) 566-7273
TX	Wayland Baptist University	Emmitt R.	Tipton	Plainview	(806) 296-5521
TX	West Texas State University	R. Ben	Neely	Canyon	(806) 656-2495
UT	Brigham Young University	H. Keith	Hunt	Provo	(801) 378-2080
UT	Southern Utah University	Ed	Barria	Cedar City	(801) 586-5403
UT	Univ. of Utah	Roger H.	Nelson	Salt Lake City	(801) 581-7458
UT	Utah State University	Stavan H.	Hanks	Logan	(801) 750-2373
UT	Weber State College	Brian	Devia	Ogden	(801) 626-7947
VA	Christopher Newport College	Lisa	Spiller	Newport News	(804) 594-7215
VA	George Mason University	William	Schulte	Fairfax	(703) 993-1823
VA	James Madison University	Karen W.	Wigginton	Harrisonburg	(703) 568-1227
VA	Virginia Commonwealth University	George W.	Rialer	Richmond	(804) 367-1487
VA	Virginia Polytechnic Institute	Herbert	Cork	Blacksburg	(703) 231-7903
VA	Virginia State University	Barbara	Peary	Petersburg	(804) 524-5123
VT	Green Mountain College	Kenneth	Copp	Poultney	(802) 287-9313
VT	Johnson State College	Genie K.	Williams	Johnson	(802) 635-2356
VT	Lyndon State College	Benry	Ingraham	Lyndonville	(802) 626-9371
VT	School for International Training	Syed	Hyat	Brattleboro	(802) 257-7751
VT	Univ. of Vermont	James M.	Kraushaar	Burlington	(802) 656-0498
WA	Central Washington University	James	Bradley	Ellensburg	(509) 963-2915
WA	Eastern Washington University	Leo R.	Sipeon	Cheney	(509) 359-2474
WA	Gonzaga University	Willbann	Terpening	Spokane	(509) 328-4220
WA	Pacific Lutheran University	David E.	McNabb	Tacoma	(206) 535-7301
WA	Seattle Pacific University	Charles	Russell	Seattle	(206) 281-2243
WA	Seattle University	Barriet	Stephenson	Seattle	(206) 296-5702
WA	St. Martin's College	Cynthia J.	Caanar	Lacey	(206) 438-4373
WA	Univ. of Puget Sound	Thomas	Schillar	Tacoma	(206) 756-1499
WA	Univ. of Washington	Karl H.	Vesper	Seattle	(206) 543-6737
WA	Washington State University	Jerman	Rose	Pullman	(509) 335-7703
WA	Western Washington University	Fred C.	Lewis	Bellingham	(206) 650-3091

Page No. 15  
03/10/94

## BBI Schools and Directors

STATE	SCHOOL	FIRST NAME	LAST NAME	CITY	PHONE
WI	Cardinal Stritch College	Pravin	Kamdar	Milwaukee	(414) 352-5400
WI	Marquette University	Ralph E.	Brownlee	Milwaukee	(414) 288-7238
WI	Univ. of Wisconsin - Eau Claire	Richard D.	Lorentz	Eau Claire	(715) 836-5829
WI	Univ. of Wisconsin - LaCrosse	Janice	Gallagher	LaCrosse	(608) 785-8782
WI	Univ. of Wisconsin - Madison	Robert W.	Pricer	Madison	(608) 263-3464
WI	Univ. of Wisconsin - Milwaukee	Ann F.	Katee	Milwaukee	(414) 227-3241
WI	Univ. of Wisconsin - Oshkosh	C. Burk	Tower	Oshkosh	(414) 424-0351
WI	Univ. of Wisconsin - Parkside	Patricia M.	Duetach	Kenosha	(414) 595-2620
WI	Univ. of Wisconsin - Stevens Point	Richard B.	Judy	Stevens Point	(715) 346-3770
WI	Univ. of Wisconsin - Superior	Neil	Benarud	Superior	(715) 394-8352
WI	Univ. of Wisconsin - Whitewater	James L.	Molloy	Whitewater	(414) 472-3209
WV	Concord College	Smiley	Weatherford	Athens	(304) 384-3115
WV	Marshall University	John B.	Wallace	Buntington	(304) 522-3806
WV	Shepherd College	Kenneth A.	Juul	Shepherdstown	(304) 876-2511
WV	West Liberty State College	John P.	McCullough	West Liberty	(304) 336-8053
WV	West Virginia State College	Donald C.	Darton	Institute	(304) 766-3129
WV	West Virginia University	Kunal	Benarji	Morgantown	(304) 293-7945
WI	Univ. of Wyoming	Gail M.	Gordon	Laramie	(307) 766-2363
Total=		490			

## **APPENDIX G**

### **SBI Universities That Are Not A Small Business Development Center**



Page No. 1  
03/10/94

SBI Universities That Are Not a Small Business Development Center

State	School	City
AL	Alabama A & M University	Huntsville
AR	Ark. State Univ.-Univ. Ctr. (Ft. Smith)	Fort Smith
AR	Arkansas College	Batesville
AR	Arkansas State University	State University
AR	Arkansas Tech University	Russellville
AR	Harding University	Searcy
AR	Southern Arkansas University	Magnolia
AR	Univ. of Arkansas - Monticello	Monticello
AR	Univ. of Arkansas - Pine Bluff	Pine Bluff
AR	Univ. of Central Arkansas	Conway
AR	Univ. of the Ozarks	Clarksville
AZ	Arizona State Univ. - West	Phoenix
AZ	Arizona State University	Tempe
AZ	Northern Arizona University	Flagstaff
AZ	Western International University	Phoenix
CA	Antelope Valley College	Lancaster
CA	Cal. Lutheran University	Thousand Oaks
CA	Cal. Poly. State Univ.	San Luis Obispo
CA	Cal. State Univ. - Bakersfield	Bakersfield
CA	Cal. State Univ. - Dominguez Hills	Carson
CA	Cal. State Univ. - Fresno	Fresno
CA	Cal. State Univ. - Fullerton	Fullerton
CA	Cal. State Univ. - Hayward	Hayward
CA	Cal. State Univ. - Long Beach	Long Beach
CA	Cal. State Univ. - Los Angeles	Los Angeles
CA	Cal. State Univ. - Northridge	Northridge
CA	Cal. State Univ. - Sacramento	Sacramento
CA	Cal. State Univ. - San Bernardino	San Bernardino
CA	Fresno Pacific College	Fresno
CA	Humboldt State University	Arcata
CA	Loyola Marymount University	Los Angeles
CA	Monterey Institute of Intern. Studies	Monterey
CA	Point Loma Nazarene College	San Diego
CA	San Diego State University	San Diego
CA	San Francisco State University	San Francisco
CA	San Jose State University	San Jose
CA	Sonoma State University	Rohnert Park
CA	Univ. of California - Los Angeles	Los Angeles
CA	Univ. of Southern California - LA	Los Angeles
CA	Westmont College	Santa Barbara
CO	Mesa State College	Grand Junction
CO	Metropolitan State College of Denver	Denver
CO	Univ. of Colorado - Colorado Spgs.	Colorado Springs
CO	Univ. of Denver	Denver
CO	Univ. of Northern Colorado	Greeley
CO	Univ. of Southern Colorado	Pueblo
CO	Western State College	Gunnison
CT	Central Connecticut State Univ.	New Britain
CT	Western Connecticut State Univ.	Danbury
DC	American University	Washington

Page No. 2  
03/10/94

SBI Universities That Are Not a Small Business Development Center

State	School	City
DC	Howard University	Washington
FL	Barry University	Miami Shores
FL	Florida State University	Tallahassee
FL	Univ. of Miami	Coral Gables
FL	Univ. of Tampa	Tampa
GA	Augusta College	Augusta
GA	Georgia College	Milledgeville
GA	Georgia Southwestern College	Americus
GA	Macon College	Macon
GA	Mercer University	Atlanta
HI	Univ. of Hawaii - Manoa	Honolulu
IA	Buena Vista College	Storm Lakes
IA	Central College	Pella
IA	Coe College	Cedar Rapids
IA	Drake University	Des Moines
IA	Grand View College	Des Moines
IA	Maharishi International University	Fairfield
IA	Morningside College	Sioux City
IA	Simpson College	Indianola
IA	Univ. of Dubuque	Dubuque
ID	Univ. of Idaho	Moscow
IL	Chicago State University	Chicago
IL	DePaul University	Chicago
IL	Eastern Illinois University	Charleston
IL	Elmhurst College	Elmhurst
IL	Illinois Benedictine College	Lisle
IL	Illinois College	Jacksonville
IL	Illinois State University	Normal
IL	Millikin University	Decatur
IL	Monmouth College	Monmouth
IL	Northeastern Illinois University	Chicago
IL	Northwestern University	Evanston
IL	Rockford College	Rockford
IL	Roosevelt University	Chicago
IL	Sangamon State University	Springfield
IL	Trinity Christian College	Palos Heights
IL	Univ. of Illinois - Chicago	Chicago
IL	Univ. of Illinois - Urbana	Champaign
IN	Anderson University	Anderson
IN	Ball State University	Muncie
IN	Grace College	Winona Lake
IN	Indiana State University	Terre Haute
IN	Indiana University - Kokomo	Kokomo
IN	Indiana University - Northwest	Gary
IN	Indiana University - South Bend	South Bend
IN	Indiana University - Southeast	New Albany
IN	Indiana University/Purdue Univ.	Indianapolis
IN	Purdue University - Calumet	Hammond
IN	Purdue University North Central	Westville
IN	Univ. of Evansville	Evansville

Page No. 3  
03/10/94

SBI Universities That Are Not a Small Business Development Center

State	School	City
IN	Univ. of Southern Indiana	Evansville
IN	Valparaiso University	Valparaiso
KS	Benedictine College	Atchison
KS	Bethany College	Lindsborg
KS	Kansas Newman College	Wichita
KS	MidAmerica Nazarene College	Olathe
KY	Thomas More College	Crestview Hill
LA	Louisiana State Univ. - Baton Rouge	Baton Rouge
LA	Xavier University	New Orleans
MA	Babson College	Babson Park
MA	Boston University	Boston
MA	Brandeis University	Waltham
MA	Fitchburg State College	Fitchburg
MA	Merrimack College	North Andover
MA	North Adams State College	North Adams
MA	Northeastern University	Boston
MA	Suffolk University	Boston
MA	Univ. of Massachusetts - Dartmouth	North Dartmouth
MA	Western New England College	Springfield
MA	Westfield State College	Westfield
MD	Frostburg State University	Cumberland
MD	Loyola College	Baltimore
MD	Univ. of Baltimore	Baltimore
MD	Univ. of Maryland	College Park
ME	Husson College	Bangor
ME	Univ. of Maine - Orono	Orono
ME	Univ. of Maine - Presque Isle	Presque Isle
MI	Calvin College	Grand Rapids
MI	Lawrence Technological University	Southfield
MI	Spring Arbor College	Spring Arbor
MI	Western Michigan University	Kalamazoo
MI	Western Michigan University	Grand Rapids
MN	Bemidji State University	Bemidji
MN	Bethel College	St. Paul
MN	St. Mary's College	Winona
MN	St. Olaf College	Northfield
MO	Avila College	Kansas City
MO	College of the Ozarks	Point Lookout
MO	Columbia College	Columbia
MO	Evangel College	Springfield
MO	Fontbonne College	Clayton
MO	Missouri Western State College	St. Joseph
MO	Southwest Baptist University	Bolivar
MO	Univ. of Missouri - Kansas City	Kansas City
MO	Univ. of Missouri - St. Louis	St. Louis
MS	Univ. of Southern Mississippi	Hattiesburg
MT	Eastern Montana College	Billings
MT	Montana State University	Bozeman
MT	Montana Tech	Butte
MT	Univ. of Montana	Missoula

Page No. 4  
03/10/94

SBI Universities That Are Not a Small Business Development Center

State	School	City
NC	Duke University	Durham
NC	Univ. of North Carolina - Charlotte	Charlotte
NC	Univ. of North Carolina - Greensboro	Greensboro
ND	Dickinson State University	Dickinson
ND	Jamestown College	Jamestown
ND	Minot State University	Minot
ND	North Dakota State University	Fargo
NE	Creighton University	Omaha
NE	Doane College	Crete
NE	Hastings College	Hastings
NH	Daniel Webster College	Nashua
NH	New Hampshire College	Manchester
NH	Rivier College	Nashua
NJ	Fairleigh Dickinson University	Madison
NJ	Montclair State College	Upper Montclair
NJ	New Jersey Institute of Technology	Newark
NJ	Rowan State College	Glassboro
NM	New Mexico Highlands University	Las Vegas
NM	New Mexico State University	Las Cruces
NM	Univ. of New Mexico	Albuquerque
NY	Alfred University	Alfred
NY	Canisius College	Buffalo
NY	Clarkson University	Potsdam
NY	Cornell University	Ithaca
NY	Cornell University	Ithaca
NY	Dowling College	Oakdale
NY	Hofstra University	Hempstead
NY	Long Island University	Brooklyn
NY	Marist College	Poughkeepsie
NY	Niagara University	Niagara Falls
NY	Rochester Institute of Technology	Rochester
NY	SUNY College - Fredonia	Fredonia
NY	Skidmore College	Saratoga Springs
NY	St. John Fisher College	Rochester
NY	Syracuse University	Syracuse
OH	Ashland University	Ashland
OH	Bluffton College	Bluffton
OH	Cleveland State University	Cleveland
OH	Heidelberg College	Tiffin
OH	Lake Erie College	Painesville
OH	Ohio Northern University	Ada
OH	Univ. of Akron	Akron
OH	Univ. of Rio Grande	Rio Grande
OH	Univ. of Toledo	Toledo
OH	Walsh College	North Canton
OH	Wittenberg University	Springfield
OH	Xavier University	Cincinnati
OK	Oklahoma Christian University	Oklahoma City
OK	Oklahoma City University	Oklahoma City
OK	Oklahoma State University	Stillwater



Page No. 5  
03/10/94

SBI Universities That Are Not a Small Business Development Center

State	School	City
OK	Oral Roberts University	Tulsa
OK	Southern Nazarene University	Bethany
OK	Univ. of Oklahoma	Norman
OR	Oregon State University	Corvallis
OR	Portland State University	Portland
OR	Univ. of Oregon	Eugene
OR	Western Oregon State College	Monmouth
OR	Willamette University	Salem
OR	Willamette University	Salem
PA	Carnegie-Mellon University	Pittsburgh
PA	Drexel University	Philadelphia
PA	Indiana University of Pennsylvania	Indiana
PA	King's College	Wilkes-Barre
PA	Marywood College	Scranton
PA	Millersville University	Millersville
PA	Penn State Univ. - Harrisburg	Middletown
PA	Penn State Univ. - Univ. Park	University Park
PA	Point Park College	Pittsburgh
PA	Shippensburg University	Shippensburg
PA	Slippery Rock University	Slippery Rock
PA	Susquehanna University	Selinsgrove
PA	Villanova University	Villanova
PA	Washington & Jefferson College	Washington
PA	West Chester University	West Chester
PA	Westminster College	New Wilmington
PR	Interamerican University - Aquadilla	Aquadilla
PR	Pontifical Catholic University of P.R.	Ponce
PR	Univ. of Phoenix	Guaynabo
PR	Univ. of Puerto Rico - Aquadilla	Aquadilla
RI	Johnson & Wales University	Providence
RI	Johnson & Wales University	Providence
RI	Roger Williams University	Bristol
RI	Salve Regina University	Newport
SC	College of Charleston	Charleston
SC	Francis Marion University	Florence
SD	Augustana College	Sioux Falls
SD	Black Hills State University	Spearfish
SD	Dakota State University	Madison
SD	Northern State University	Aberdeen
SD	Sioux Falls College	Sioux Falls
SD	South Dakota State University	Brookings
TN	Carson Newman College	Jefferson City
TN	Tennessee Technological University	Cookeville
TN	Univ. of Tennessee - Chattanooga	Chattanooga
TN	Vanderbilt University	Nashville
TX	Baylor University	Waco
TX	East Texas State Univ. - Commerce	Commerce
TX	East Texas State Univ. - Texarkana	Texarkana
TX	Houston Baptist University	Houston
TX	Lamar University	Beaumont

Page No. 6  
03/10/94

SBI Universities That Are Not a Small Business Development Center

State	School	City
TX	Midland College	Midland
TX	Midwestern State University	Wichita Falls
TX	Prairie View A & M University	Prairie View
TX	Southwest Texas State University	San Marcos
TX	St. Edwards University	Austin
TX	St. Mary's University	San Antonio
TX	Stephen F. Austin State University	Nacogdoches
TX	Sul Ross State Univ. - Alpine	Alpine
TX	Texas A & I University	Kingsville
TX	Texas A & M University - Corpus Christi	Corpus Christi
TX	Texas Southern University	Houston
TX	Texas Woman's University	Denton
TX	Univ. of Houston - Clear Lake	Houston
TX	Univ. of Houston - Downtown	Houston
TX	Univ. of Houston - Victoria	Victoria
TX	Univ. of North Texas	Denton
TX	Univ. of St. Thomas	Houston
TX	Univ. of Texas - Arlington	Arlington
TX	Univ. of Texas - Austin	Austin
TX	Univ. of Texas - El Paso	El Paso
TX	Univ. of Texas - Pan American	Edinburg
TX	Univ. of Texas - Tyler	Tyler
TX	Wayland Baptist University	Plainview
TX	West Texas State University	Canyon
UT	Brigham Young University	Provo
VA	Christopher Newport College	Newport News
VA	George Mason University	Fairfax
VA	Virginia Polytechnic Institute	Blacksburg
VA	Virginia State University	Petersburg
VT	Green Mountain College	Poultney
VT	Johnson State College	Johnson
VT	Lyndon State College	Lyndonville
VT	School for International Training	Brattleboro
VT	Univ. of Vermont	Burlington
WA	Central Washington University	Ellensburg
WA	Eastern Washington University	Cheney
WA	Gonzaga University	Spokane
WA	Pacific Lutheran University	Tacoma
WA	Seattle Pacific University	Seattle
WA	Seattle University	Seattle
WA	St. Martin's College	Lacey
WA	Univ. of Puget Sound	Tacoma
WA	Univ. of Washington	Seattle
WI	Cardinal Stritch College	Milwaukee
WI	Marquette University	Milwaukee
WV	West Liberty State College	West Liberty
WV	West Virginia University	Morgantown

297 Total SBI Schools

**SMALL BUSINESS ADVANCEMENT  
NATIONAL CENTER**



**Home Of:**

**Small Business Advancement Network**

**Small Business National Training Network**

**Small Business Institute National Data Center**

**International Exchange Program**

**Small Business Center**

## THE SMALL BUSINESS ADVANCEMENT NATIONAL CENTER

is a national and international research, training, consulting, and information center funded primarily by the U.S. Congress and administered by the U.S. Small Business Administration. The National Center also receives support from the University of Central Arkansas and other public and private sources.

Its main purpose is to provide information, training, and counseling to help small businesses succeed. This includes gathering information on small business, entrepreneurship, international small business, and collegiate programs as well as providing research on these subjects. This information is then made available to small business researchers, educators, government, associations, small business owners, entrepreneurs, and to those who provide assistance to small businesses.



**SBANC RESOURCE PARTNERS**

**Small Business Institutes**

**U.S. Small Business Administration**

**U.S. Congress**

**U.S. Library of Congress**

**Service Corps of Retired Executives**

**Small Business Development Centers**

**Small Business National Training Network**

**University of Central Arkansas**

**National Business Association**

**Southwestern Bell Telephone**

**Small Business Institute Directors'  
Association**

**Winrock International**

# Small Business Advancement Network

## Why should you become a member of our Bulletin Board Network?

You will have access to:

A large collection of research data dealing with small business.

Bulletins announcing conferences and important issues for small business.

A variety of Industry Profiles available for downloading. Currently there are 29.

Online databases including information on Available Grants, International Marketing Contacts, Call for Papers, SBI Programs, SCORE offices, SBDC offices, and users of the SBANetwork.

Free small business software including Business Plan, Review for Business Loans, Cash Flow Statement, Profit or Loss Statement, and Marketing software.

Small Business Conference Proceeding Articles.

Small Business Publications.

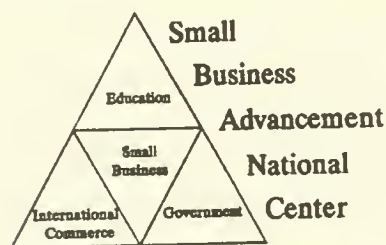
Downloadable databases including listings for Congress, Congressional Staffers, SBA, and SBI Individuals.

Opportunity to leave E-Mail messages or questions on Small Business Issues.

Important messages from the U.S. Small Business Administration.

Accessibility through Internet using FTP.

Members of the SBANetwork include the U.S. Small Business Administration, Small Business Institute Director's Association, Small Business Institute Programs, Service Corp of Retired Executives, Small Business Development Centers, other Universities and Colleges, and Private Small Business Organizations.



University of Central Arkansas

Small Business Advancement National Center  
University of Central Arkansas  
College of Business Administration  
201 Donaghey Ave.  
UCA Box 5018  
Conway, AR 72035-0001  
(501) 450-5377

# List File Directories

- [ 1] Directory for Database Files
- [ 2] Directory to contain cases
- [ 3] Directory to contain journals
- [ 4] Directory contains publications
- [ 5] Proceedings Articles
- [ 6] Small Business Software

## Multi-Net System Data Bases

- [ 1] Grants Database
- [ 2] SBAN Users by Region Database
- [ 3] SCORE Database
- [ 4] SBI Programs Database
- [ 5] Proceedings Database
- [ 6] SBDC Offices Database
- [ 7] International Marketing Database
- [ 8] Call For Papers Database
- [ 9] Company-Sponsored Grants Database
- [10] Private Foundations Grants Database
- [11] Trade Associations Grants Database
- [12] International Foundations Grants Database



Date: Fri, 11 Mar 94 11:28:33 EST  
From: Tara\_Pryde@burns.senate.gov  
To: RichardG@ccl.uca.edu  
Subject: small business information

Richard, I am interested in receiving Internet mail on small business issues. My boss, Senator Conrad Burns, is on the Small Business Committee here in the Senate and small business is one of the issues that I handle for him. Internet is great! Our office just got access and we find it a wonderful way to stay in touch with folks. There are never enough hours in the day to take care of everything, so I may not get back with you right away, but I would sure like to know what is up on your end.

## Small Business National Training Network

### Successful Training Events by Attendance

#### Attendees

- |   |     |
|---|-----|
| 1. Kenai Peninsula College, Alaska              |     |
| "Business & Self Esteem"                        | 213 |
| 2. ACORN, Louisiana                             |     |
| "Basic Accounting & Record Keeping"             | 142 |
| 3. Abraham Baldwin Agriculture College, Georgia |     |
| "TQM: Planning, Measurement & Implementation"   | 116 |
| 4. Abraham Baldwin Agriculture College, Georgia |     |
| "Practical Tools for Continuous Improvement"    | 112 |
| 5. Kenai Peninsula College, Alaska              |     |
| "Public Relations: Promoting Your Business"     | 99  |

## Small Business National Training Network

### Successful Training Events by Creativity

- \* White Earth Reservation Tribal Council  
Women's Business Center, Minnesota  
"Marketing Crafts & Products to Tourists"
- \* University of North Dakota - Williston  
"Employee Termination"
- \* White Earth Reservation Tribal Council  
Women's Business Center, Minnesota  
"Environmental Concerns for Small Business"
- \* Arlington Public Schools, Virginia  
"Multicultural Marketing"
- \* Salt Lake City Community College, Utah  
"Entrepreneurship for Single Parents"

# SMALL BUSINESS NATIONAL TRAINING NETWORK

October 1, 1993 - September 30, 1994

## Indian Related Training Sites:

### ALASKA

Kenai Peninsula College - Kachemak Bay Branch  
Homer, AK

### MINNESOTA

White Earth Reservation Tribal Council  
Mahnomen, MN

### MONTANA

Blackfeet Community College  
Browning, MT

### NEW MEXICO

Crownpoint Institute of Technology  
Albuquerque, NM

### OKLAHOMA

Caddo-Kiowa Area Vocational Technical Center  
Ft. Cobb, OK



# SMALL BUSINESS NATIONAL TRAINING NETWORK

October 1, 1993 - September 30, 1994

## Rural Sites:

	Population
<b>DELAWARE</b>	
Delaware Technical & Community College Georgetown, DE	935
<b>NORTH DAKOTA</b>	
Southeast Area Vocational Technical Center Oakes, ND	2,112
<b>VERMONT</b>	
Vermont Technical College Randolph Center, VT	2,200
Northeast Employment & Training Organization, Inc. Newport, VT	4,756
<b>MAINE</b>	
Kennebec Valley Technical College Fairfield, ME	3,169
<b>WEST VIRGINIA</b>	
Mountain Aid Development Association Philippi, WV	3,375
<b>ARKANSAS</b>	
Arkansas Valley Technical Institution Ozark, AR	3,486
Cossatot Technical College De Queen, AR	4,594
Phillips County Community College Helena, AR	9,598
<b>SOUTH CAROLINA</b>	
Denmark Technical College Denmark, SC	4,434
<b>NEBRASKA</b>	
McCook Community College McCook, NE	8,200
<b>LOUISIANA</b>	
Community Resource Center, Inc. Leesville, LA	9,054

## SBI Directors Willing To Help With Disaster Relief

	1992	1993
Yes	78.4%	83.2%
No	17.3%	12.8%
No Response	4.3%	4.0%

The CHAIRMAN. Thank you, Don.  
Mr. Higgins.

**STATEMENT OF GREGORY HIGGINS, JR, STATE DIRECTOR,  
PENNSYLVANIA SMALL BUSINESS DEVELOPMENT CENTER,  
AND PRESIDENT-ELECT, ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS, PHILADELPHIA, PA**

Mr. HIGGINS. Thank you, Mr. Chairman and members of the Committee. I am very pleased to have this opportunity to present what I view as some important information on the progress and the future of the Small Business Development Centers program. Since you have my written statement, I am not going to cover technical changes in the legislation, but I would like to focus instead on the role of the Small Business Development Centers in terms of economic development and job creation in the United States. That is an area we really have not spent much time with the Committee on.

Now, we all know that when you look at job creation in the United States small business is attributed as being the major player. But in order to see whether or not Small Business Development Centers have any role in job creation I think you have to go beyond the gross figures and figure out which segments of the small business community are actually providing the jobs and whether or not the Small Business Centers are addressing the needs of those segments. Fortunately, there has been substantial research in this area conducted by David Birch and published in 1993 in a piece entitled, *Who's Creating Jobs*.

In his analysis Birch found that if you look at job creation you find that it is 4 percent of the small firms that are responsible for over 70 percent of the new jobs created. That is 4 percent of the firms, so a very small percentage of the overall small business population is responsible for the majority of job creation.

If you go beyond that and look at the characteristics of these small firms you find first that they are distributed in all sectors of the economy. While most job creation is still in the service sector, these small firms that are creating the jobs—Birch referred to as the “gazelles”—are found in all sectors of the economy.

They tend to be new firms. The highest rates of growth are in those firms that are less than 4 years old. They tend to be very small firms. Firms with fewer than 20 employees created almost 80 percent of the new jobs in the period 1987 to 1992.

The other thing I think is interesting is this relationship between smallness, newness and job creation holds across sectors. So if you look at what is viewed as a declining sector like manufacturing you find that even in that sector firms with fewer than 100 employees grew at a rate of 13.4 percent while those with over 100 employees declined by about 3.4 percent.

Another characteristic of this group of “gazelles” is that they are not technology based firms. Only about 2 percent of the firms in that category could be described as high-technology firms. So if that is the group of firms that is creating the majority of jobs in the United States, the question is: to what extent are the SBDC's positioned to assist in this process? And the data from the characteristics of our clients show that essentially we are dealing with



the same business population. We deal with firms across all sectors, there is no question about that.

Most of the firms we deal with, about 60 percent, are new firms, as are the ones in Birch's sample, and most of them are in the startup or early stage business. They also tend to be very small firms. In Pennsylvania, for example, 91 percent of the firms that we work with have fewer than 20 employees. So if you look at the characteristics of those two groups it appears that we are both dealing with the new firms, with the small firms, and with firms across all sectors.

So given those characteristics, the question is, then, do we have any evidence that demonstrates that the Small Business Development Centers are actually making a difference. We know we deal with these firms. The question is: what happens to the firms as a result of the assistance?

Well, we have been conducting impact studies for several years. The latest impact study that was just completed dealt——

The CHAIRMAN. Who did that study?

Mr. HIGGINS. It was done by an outside consultant, James Chrisman, who is with the University of Calgary in Canada.

The consultant utilized surveys to generate data on changes in sales and employment in those firms who received at least 5 hours of consulting assistance, and who, and this is important, and who indicated that the SBDC assistance was beneficial. Then, the performance of those firms in terms of sales and employment were compared to the performance of all businesses, and it was found on the employment dimension these firms generated an additional 65,000 new jobs as a result of this consulting assistance. This is in a single year, those firms receiving more than 5 hours of assistance generated an additional 65,000 new jobs.

The other dimension we looked at was sales, and when you combine these two dimensions and the performance of the firms we worked with and run that out into its revenue impact you find that for every Federal dollar expended in this program it generated tax revenues of at least \$2.6 in the first year, and if you assume that the jobs last at least 5 years the payoff is about 13 to 1. It is a substantial return on your investment.

Now, given that kind of performance I think the next question is do the SBDCs have the capacity to serve this sector, and the short answer is no. Right now, the SBDCs do not aggressively market their services. They cannot. There is such demand for assistance out there that we are only reaching about 2 percent of the business population. We cannot afford to market. If we did, we would have a line that stretches outside the door and it would take 2 months to get an appointment. That would just destroy our credibility.

So what we have done is set up a number of screening devices, generally educational devices, where we have put people into workshops, refer them to SCORE, refer them to other agencies, so that there is some preliminary screening before we burn consulting time on them.

Since I see my time is up, let me just comment on SBA's proposal. First, I think if you have a program that delivers the kind of impact that this one delivers that it does not make a great deal



of sense to reduce the funding for that program. And the second problem is this issue of fees. Mr. Chairman, you and Senator Bennett have raised some interesting questions on fees. There are a couple of others.

One is that this program is only paid for in part by the SBA. We have other funding partners. I do not think those funding partners are going to be particularly thrilled with putting up the money for operation of half of this program and having the revenue from the collection of fees being returned to the Federal Government. I think there are two likely courses of action the funding partners might take.

One is they might withdraw their funding, and I think that will happen in a number of cases. The other thing they may do is they say we found a cash cow, too. What we will do is tack on another \$15 and pretty soon we are up to \$30 an hour. And quite frankly, Mr. Chairman, I think that will put us directly in competition with the private sector, and I believe that that would be deadly for this program. I think it would end this program. I believe even a \$15 charge for the SBDC assistance is going to raise the issue of Federally funded nonprofit competition with the private sector, and we will not and we should not survive that kind of criticism. It just is not appropriate in this kind of a program.

Thank you.

[The prepared statement of Mr. Higgins follows:]

PREPARED STATEMENT OF GREGORY HIGGINS, JR.

7.5  
copy



# Association of Small Business Development Centers

---

Statement

of

GREGORY HIGGINS

State Director

Pennsylvania Small Business Development Center

and

President-Elect

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

before the

Senate Small Business Committee

March 17, 1994

INDEX

TESTIMONY

- Appendix 1: ASBDC Briefing Paper: SMALL BUSINESS  
DEVELOPMENT AND ECONOMIC  
DEVELOPMENT
- Appendix 2: THE ECONOMIC IMPACT OF SMALL  
BUSINESS DEVELOPMENT CENTER  
CONSULTING ACTIVITIES IN THE  
UNITED STATES: 1990-1991
- Appendix 3: ANALYSIS OF IMPACT OF REQUIRING  
SMALL BUSINESS DEVELOPMENT  
CENTERS TO CHARGE CLIENTS FOR  
CONSULTING



# **Association of Small Business Development Centers**

---

**Statement**

**of**

**GREGORY HIGGINS**

**President-Elect**

**ASSOCIATION OF SMALL BUSINESS DEVELOPMENT**

**before the**

**Senate Small Business Administration**

**March 17, 1994**



Mr. Chairman, Members of the Committee, my name is Gregory Higgins. Since 1988 I have been the State Director of the Pennsylvania Small Business Development Center which is located at the Wharton School of the University of Pennsylvania. I am very pleased to have this opportunity to present what I view as some very important information on the progress and future of the Small Business Development Centers.

Today, I would like to first suggest some technical changes in the legislation to improve the operation of the program. Then I will describe the contribution of the Small Business Development Centers in the economic development and job creation process. Finally, I will recommend the committee support a proposal to increase the resources of the SBDCs and will comment upon the Administration's budget request in that context.

In terms of the technical changes, there are three. The first has to do with the language that establishes the funding cap. Since this has been interpreted to apply to all funds passing through the SBA, regardless of where they might originate, we recommend they be clarified so the cap will only be applied to funds appropriated under the basic Small Business Administration authorization for the Small Business Development Centers.

The second technical change we recommend is that the On-site Review be deleted and in its place be substituted the Association

of Small Business Development Center's Certification Process and the SBA's Examiner Program.

The third technical change is that the Association of Small Business Development Centers be authorized to provide oversight for the clearinghouse activity. That, we feel, will enhance the value of the clearinghouse to the member SBDCs.

Moving now to the record of the SBDCs in economic development and job creation, I will describe our activities a little differently than we have in past appearances.

When we have come before you in the past, we have generally described our activities by telling you stories like the one about the three guys who left a large manufacturer with great experience but little capital and the burning desire to start a powdered metal manufacturing firm in northeastern Pennsylvania. We would describe how the SBDC helped develop a feasibility study, then helped in preparation of a marketing plan, and how, based on that plan, the guys raised \$750,000 to start the business and now employ 14 people. Or maybe we told you about the potential entrepreneur who was on public assistance and had no assets but was determined to start her own firm and how we worked with her to develop a business plan, identify a program to provide a microloan, and how the woman is no longer dependent upon public assistance. Or maybe we described our operations in terms of the million hours of

consulting we provided, how many business plans we prepared, or how 279,000 attended our training programs.

But you know all that. You also know, as a result of the GAO study initiated by Chairman Bumpers that the overwhelming majority of businesses we work with find the program to be of value. I want to tell you a little different story and one that puts the Small Business Development Centers program in the context of economic development and job creation in the United States. Included in my written statement is a short analysis that describes this in some detail so I will just hit the highlights.

First, consider what has been happening in the United States economy in terms of job creation in the recent past. Now, we all know small businesses are the engine for job creation but in order to see how or if SBDCs contribute to this process we need to move beyond that generalization to see if we can determine which small firms are creating jobs. Fortunately, substantial research on this has been conducted by David Birch and his findings were published in Who's Creating Jobs?. Birch's research verified the continuing shift in sectorial employment and found that while new jobs are being created by firms in all sectors, it is the service sector that was responsible for over 60 percent of the new jobs created in the 1987-1992 period. In the analysis, Birch and his associates point out it is a relatively small percentage of firms, four percent, which were responsible for 70 percent of all jobs created.

It is the characteristics of these firms (Birch described them as "gazelles") that we need to consider.

- They are relatively new. The highest rates of growth are in those firms less than four years old.
- They are small. Firms with fewer than 20 employees created almost 80 percent of the new jobs between 1987-1992, and those firms with under 100 employees created about 95 percent of the jobs. This relationship between smallness and job creation was true not just across the board but within each sector. In manufacturing, for example, firms with fewer than 100 employees grew at a rate of 13.4 percent, while those with over 100 declined by 3.4 percent.

In order to evaluate the SBDC in the context of job creation, we need to:

- First, determine the extent to which SBDC's are positioned to and do provide assistance to these small firms.
- Second, determine if the assistance provided has or is likely to contribute to the dynamic growth of smaller/younger companies.
- Finally, determine the extent to which the size and scope of



the SBDC program are adequate to serve the needs of these firms.

To answer the question of positioning, we have a national system that does indeed provide assistance to all sectors of the economy. The distribution of our clients does reflect the distribution among sectors. The SBDCs are also positioned in terms of the size of the firms we consult. In Pennsylvania, for example, 91 percent of our clients have fewer than 20 employees and 86 have fewer than 11 employees. SBDC clients also tend to be the newer firms. About 60 percent are in the start-up or early stage businesses.

If you compare the characteristics of SBDC clients to the characteristics of those firms responsible for the majority of job growth in the 1987-1992 period we find:

- Both sets are found in all industry sectors.
- Both sets are dominated by the smallest - those having fewer than 20 employees.
- Both sets are dominated by the relatively young firms.

Since the similarities are evident, the important policy questions are:

How well are SBDC clients doing in terms of job creation?

Can we link SBDC assistance to the performance of the client firms?

To answer these questions, the Association of Small Business Development Centers has undertaken impact studies. The most recent, a study of firms assisted in 1990 was conducted by an independent consultant. The consultant used surveys to generate data on changes in sales and employment in those firms who received at least five hours of consulting assistance and who described SBDC services as beneficial. This group was compared to average performance of all businesses, and it was found that almost 65,000 new jobs resulted from SBDC consulting assistance.

Since new firms represent such a large percentage of SBDC clients (59 percent) the rate of job formation in this group is especially important. This group alone accounted for 48,563 new jobs or 75 percent of the total jobs created. The job creation rate for established clients was also impressive at 6.49 percent compared to overall U. S. employment growth of .58 percent. These new jobs combined with the increases in sales in firms assisted generated federal tax revenues of \$127,464,314.

Given the contribution the SBDCs can make in the economic growth, the next questions is "Do the SBDCs have the capacity to meet the needs of the small business population?"

The short answer is no. SBDC services are provided to less than two percent of the business population. The demand for business assistance from those in business, those starting a

business, people affected by defense conversion and downsizing in the private sector is far more than the centers can handle. In this context, SBDCs have had to manage demand and ration their consulting assistance. Methods to manage demand vary from depending primarily upon word-of-mouth and referrals for recruitment of clients, to systems to refer clients to alternative service providers. To ration consulting assistance, SBDCs have developed and deployed a variety of screening devices. The objective of these screens is to allocate consulting time to the clients who are prepared to contribute their time to and get the most from the consulting engagement. In that context, the screens are generally educational. A preventure client might be required to attend a business feasibility workshop, complete an assessment, or gather relevant market data prior to beginning the consulting engagement. These screens and utilization of small group consulting have allowed SBDCs to maximize use of their resources but still leave a large portion of the demand unmet.

Now let me comment upon the Administration's budget request. In the SBDCs we have a program with a proven record of job creation that results in additional tax revenue far in excess of the amount expended for which there is substantial current demand. And the Administration proposes to reduce the appropriation and require the program to charge fees for consulting. While I am very disappointed with the proposed reduction in funds, I can tell you that I view this fee for consulting proposal as one which, if

implemented, would cause the demise of the Small Business Development Centers program.

Attached to the written statement I provided a list of reasons why this fee proposal would be a disaster. Let me just mention two reasons here.

As you know, SBDCs have other funding partners in addition to the SBA. Those other partners put up over half of the money for the operation of these programs. I think it highly unlikely these partners would be willing to continue their support if the fee revenue is to be returned to the federal partner. More likely, they would withdraw their funding or - and it would be just as damaging - would require the SBDCs to increase fees to be returned to them. The second reason I will mention is the matter of federally funded non-profit competition with the private sector. At the initiation of this program this issue was raised and was settled by making very clear the educational nature of the assistance and by the absence of fees for consulting assistance. If we are to now begin charging for consulting, that will be perceived, and correctly so, as competition with the private sector.

As an alternative budget request, we propose the matter of fees for consulting be dropped and that the authorization level and appropriations be increased at a rate of approximately 15 percent



per year over the next 6 years. That will allow this program to begin to meet the current demand for assistance in order to help those firms create the jobs that keep this economy healthy and growing.

Thank you.

## APPENDIX 1



# Association of Small Business Development Centers

---

ASBDC BRIEFING PAPER

## SMALL BUSINESS DEVELOPMENT AND ECONOMIC DEVELOPMENT

January, 1994

For more information please contact:

Lyle M. Anderson, President  
Gregory Higgins, President-Elect  
Jackie Johnston, Membership Services Director

## SMALL BUSINESS DEVELOPMENT CENTERS AND ECONOMIC DEVELOPMENT

### Introduction

While the contribution of Small Business Development Centers to economic development in the United States is substantial, it is generally not well recognized. The lack of recognition results from a reluctance to acknowledge the role of the small firm in the dynamics of growth and from the manner in which the activities of Small Business Development Centers are most often described.

More often than not, Small Business Development Centers are described in terms of the assistance they provide to an individual or a class of business owners. For example, "The SBDC helped businessman A develop a business plan which enabled him to obtain financing for an expansion of his plant; or the SBDC helped 100 individuals analyze the feasibility of new ventures." Whether anecdotal or statistical, these descriptions have provided very little information about the context in which the assistance is provided or about the SBDC's cumulative impact upon the economic development of its service area.

Small Business Development Centers operate in every state. They represent the only comprehensive nationwide system for providing the information and educational assistance required to improve the management of small firms. Given their mission and their geographic scope, it is important to assess their current and potential impact on economic development.

This presentation of findings will demonstrate that SBDCs are extremely cost effective and are positioned to be the most powerful publicly funded economic development activity in the United States.

### Recent Economic Growth and Development

To understand Small Business Development Centers' role in economic development it is important to consider, first, the recent dynamics of economic growth and development in the United States. The main dimensions to be considered are:

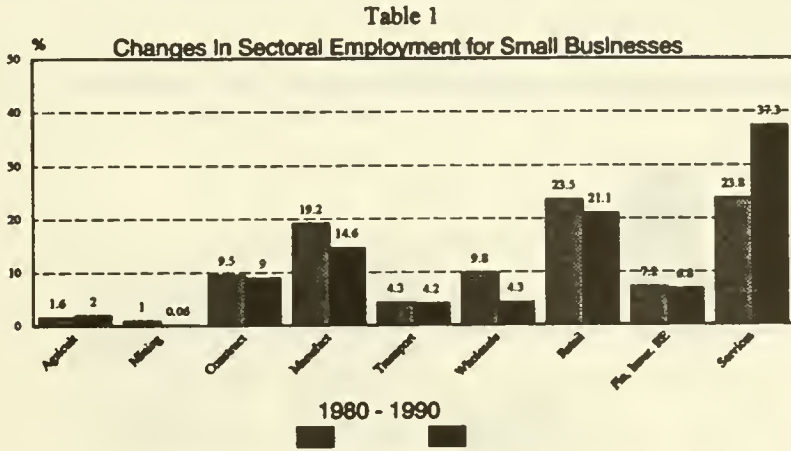
- sectoral contributions to employment;
- shifts in employment relative to firm size within sectors; and
- the characteristics of firms having the most significant impact on employment growth.

The focus here is on job creation which is only one dimension of economic development. While job creation does not, in any way, adequately describe the development process, job creation does represent common currency in which both politicians and development professionals deal.

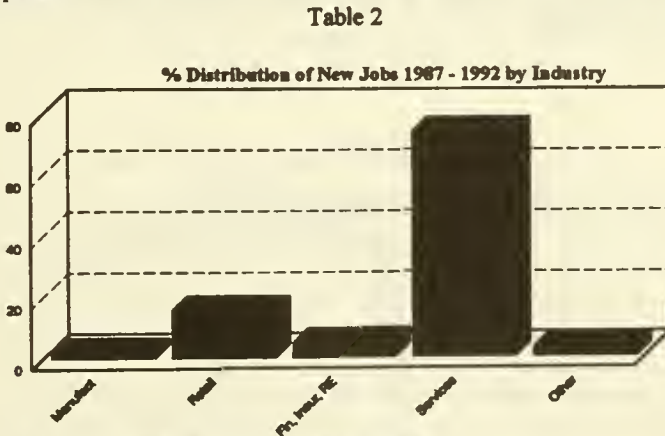


### Sectoral Shifts in Employment

The decline of manufacturing employment as a percent of total employment and the concomitant growth in employment in services has been noted often. Table 1 dramatically demonstrates that trend.



More important than sectoral employment is the recent percent of job growth within each sector. As shown in Table 2, service and retail firms are, by far, the major generators of new jobs in the 1987-92 period.

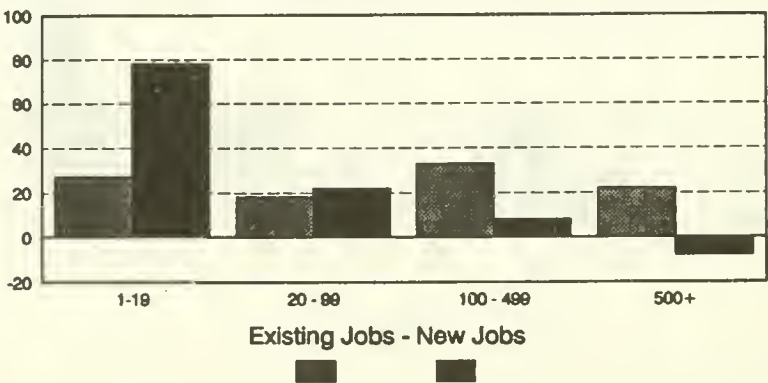


\*Source: Birch, Haggerty, Parsons, Who's Creating Jobs

Dynamics of Job Creation within Sectors

Given our focus on small firms, it is important to relate size of firms to job creation. Table 3 makes it clear smaller firms are the sources of growth. Especially striking is the information that firms with fewer than 20 employees created almost 80 percent of the new jobs between 1987 and 1992.

Table 3  
% Distribution of 1992 Existing Jobs and New Jobs 1987 - 1992 by Size



\*Source: Birch, Haggerty, Parsons, Who's Creating Jobs

Looking at the information by sector in Table 4 demonstrates the importance of the small firm is not confined to one sector.

Table 4  
% Job Growth 1987-1992 by Size and Industry

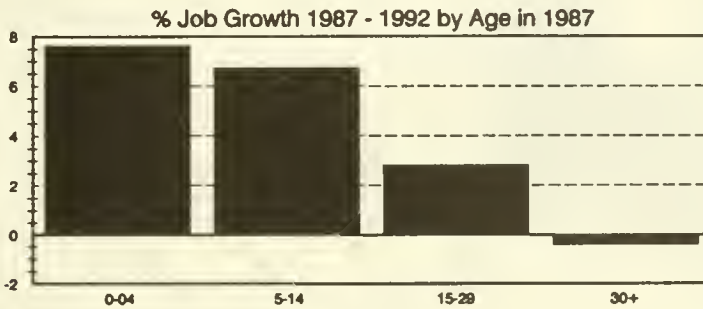
Industry	Company Size in Jobs	
	1-99	100+
Manufacturing	13.4	-3.4
Trade	5.2	2.5
Fin., Ins., RE	5.2	1.9
Services	13.8	4.7
Other	6.5	-3.7

\*Source: Birch, Haggerty, Parsons, Who's Creating Jobs

#### Characteristics of the Most Dynamic Firms

In the analysis, Who's Creating Jobs, Birch, Haggerty and Parsons presented data relating age of company to job creation. In table 5, the youngest firms clearly are the most powerful generators of new employment. In the analysis, Birch, et al. point out it is a relatively small percentage of firms, four percent, which are responsible for seventy percent of all jobs created. These firms are characterized as "gazelles." Within this group 84 percent began their growth while employing fewer than 20.

Table 5



\*Source: Birch, Haggerty, Parsons, Who's Creating Jobs

In summarizing the information considered, the critical role of the small firm in recent economic development is evident as is the dominant position of the younger, smaller firms in generating new jobs.

#### The Small Business Development Centers Contribution to Job Creation

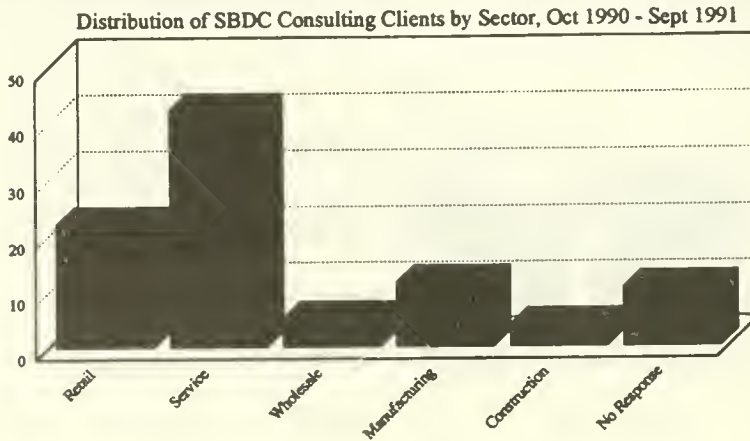
Given the sectoral changes described and the role of the younger/smaller companies across all industrial sectors, it is important to examine the following:

- the extent to which the SBDCs are positioned to and do provide assistance to these small firms;
- the extent to which SBDC assistance has or is likely to contribute to this dynamic growth of smaller/younger companies; and
- the extent to which the size and scope of the SBDC program are such that the program can adequately serve the needs of these firms.

### Positioning of Small Business Development Centers

In examining the distribution of Small Business Development Center clients among industrial sectors (Table 6) one finds the percentages correspond rather closely to sectoral distribution of employment in the United States. It appears then that SBDC assistance is being utilized by firms in all industrial sectors.

Table 6



As we noted earlier, Birch's research demonstrated that among small firms those having fewer than 20 employees contributed over 80 percent of the new jobs in the last five years. While national data on employment levels among SBDC clients is not collated, the data from a fairly typical state, Pennsylvania, indicates 91 percent of Small Business Development Center clients have fewer than 20 employees and 76 percent have from one to five employees. (Table 7)

Table 7  
SBDC Client Employment (PASBDC 1993)

Employees	
1 - 5	76%
6 - 10	10%
11 - 20	5%
>20	10%



In terms of age of Small Business Development Center client firms, the national data indicates 59 percent are receiving business start-up assistance. So fully half of SBDC clients are either in the pre-venture or early start-up phase. (Table 8)

**Table 8**  
**SBDC Consulting Assistance**  
**October 1990 - September 1991**

AREAS OF COUNSELING	NUMBER	PERCENTAGE
Business Start-up	112,886	59.2%
Sources of Capital	46,381	24.3%
Marketing/Sales	47,859	25.1%
Gov. Procurement	15,792	8.3%
Accounting/Records	14,914	7.8%
Fin Anal/Cost Contl	16,284	8.5%
Inventory Control	847	0.4%
Engineering R & D	6,071	3.2%
Personnel	2,798	1.5%
Computer Systems	5,580	2.9%
International Trade	10,150	5.3%
Business Liq/Sale	2,296	1.2%
No Response	0	0

Comparing the characteristics of Small Business Development Center clients to the characteristics of those firms responsible for the majority of job growth in the 1987-1992 period we find remarkable similarity.

- Both sets are found in all industry sectors.
- Both sets are dominated by the smallest of the small, those having fewer than 20 employees.
- Both sets are dominated by relatively young firms.

Since these similarities are evident, the important public policy questions are:

- How well are SBDC clients doing in terms of job creation?
- Can we link SBDC assistance to the performance of the client firms?

The short answer is that Small Business Development Center clients are creating jobs at a rate much higher than other businesses and SBDC assistance does, indeed, enhance their

performance.

To demonstrate the value of SBDC assistance, the Association of Small Business Development Centers has undertaken impact studies. The most recent, a study of firms assisted in 1990, was conducted by independent consultants. The consultants used surveys to generate data on changes in sales and employment in those firms who received consulting assistance and who described SBDC services as beneficial. The data from the survey of 1990 consulting clients are presented in Table 9 and the evidence is striking. **Almost 65,000 NEW JOBS resulted from SBDC consulting assistance.**

**Table 9**  
**Impact of SBDC Consulting on the Economy of the United States**

	Established Firms	New Firms	All Firms
Aggregate Sales Impact	\$1,279,483,400	\$2,453,810,200	\$3,733,293,600
Aggregate Employment Impact	16,370 new jobs	48,563 new jobs	64,933 new jobs
State Tax Revenues Generated	\$53,195,412	\$107,890,342	\$161,085,754
Federal Tax Revenues Generated	\$32,134,813	\$95,329,501	\$127,464,314
Total Tax Revenues Generated	\$85,330,224	\$203,219,843	\$288,550,068
Cost of Long Term Consulting	\$25,472,588	\$14,556,890	\$40,029,478
Benefit to Cost Ratio	3.35 to 1.00	13.97 to 1.00	7.21 to 1.00
Cost of All Consulting			\$66,987,070
Cost/Benefit Ratio			4.31 to 1.00
Cost of SBDC Operations			\$110,471,000
Cost/Benefit Ratio			2.61 to 1.00

Since new firms represent such a large percentage of SBDC clients (59 percent) the rate of job formation in this group is especially important. This group alone accounted for 48,563 new jobs or 75 percent of the total jobs created. Among these preventure clients approximately 3.19 new jobs were created per client. The job creation rate for established clients was also impressive compared to the overall U.S. employment growth rate 6.49 percent for SBDC clients vs. 0.58 percent for U. S. businesses.

#### Small Business Development Center Capacity

The value of Small Business Development Center assistance and the positioning of that assistance relative to that sector of the economy responsible for the vast majority of job creation has been described. The next question is, "Do the SBDCs have the capacity to meet the needs of

the business population?"

In 1991, the last year for which national data was aggregated, the SBDCs provided 1,033,454 hours of consulting to 190,602 clients. In addition, 279,534 individuals attended business training programs sponsored by the centers.

In the same year, the SBA reported 20 million business tax returns were filed and 846 thousand new companies were created. In that context, Small Business Development Center services were provided to less than two percent of the business population. SBDC consulting is the activity that can be most directly related to enhanced business performance and less than one percent of the business population received consulting assistance.

When one considers the number of existing businesses, the rate of business starts, the growth in the home based business sector, the rate with which women are starting and acquiring businesses, and the potential of individuals affected by defense reductions and downsizing, it must be absolutely clear the Small Business Development Centers simply do not have the capacity to serve this population. The demand for assistance, particularly from individuals starting new firms, coupled with the lack of capacity to meet this demand has caused many SBDCs to rethink the manner in which assistance is provided and to whom that assistance is provided. Essentially, Small Business Development Centers have had to develop methods for managing demand for assistance and for rationing their most valuable resource - consulting time.

Methods to manage demand certainly vary among centers and range from depending primarily upon word-of-mouth and referrals for recruitment of clients, to systems to refer many clients or certain types of clients to alternative service providers. With these two approaches, problems are created because a deliberate attempt to maintain low visibility is generally not appreciated, and because most often other competent sources of small business assistance are not present.

To ration consulting assistance, Small Business Development Centers have been developing and deploying a variety of screening devices. The objective in utilizing these screens is to allocate consulting time to those clients who are prepared to get the most from the consulting relationship and are prepared to contribute their time to the consulting engagement. In that context, the screening devices are generally education. Examples would be a requirement that preventures attend business feasibility workshops prior to receiving one-on-one consulting, or that the client complete an assessment and gather relevant data prior to beginning the consulting engagement. These screens, and the initiation of small group consulting have allowed Small Business Development Centers to maximize the use of their resources but still leave a large proportion of the demand unmet.

To summarize, the Small Business Development Centers program's contribution to economic development while substantial and cost effective, because of resource constraints, is limited. Because their potential to strengthen the management of the firms generating growth and because of their proven record of impact, the SBDC program should be expanded to provide more individuals and firms access to this resource.

## APPENDIX 2

THE ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER  
CONSULTING ACTIVITIES IN THE UNITED STATES: 1990-1991

James J. Chrisman

New Venture Development  
Faculty of Management  
University of Calgary  
Calgary, Alberta  
Canada T2N 1N4  
403-220-7247

FAX 403-282-0075

Frances Katrishen

Department of Management  
College of Business Administration  
University of South Carolina  
Columbia, SC 29208  
803-777-5903

This report was prepared by the authors acting as independent consultants.  
Neither the project nor the contents of this report were endorsed or sponsored  
by the University of Calgary or the University of South Carolina.



## EXECUTIVE SUMMARY

This report analyses the changes in sales and employment of a sample of 1563 established businesses and 1044 pre-ventures that received five or more hours of consulting assistance (i.e., long-term clients) in 1990 from the 47 Small Business Development Centers (SBDC) in the United States that participated in this study (nine state centers did not participate in this study). The 2607 usable responses represented 23.9 percent of the clients surveyed. The clients surveyed were selected using a stratified random sampling procedure; they represented 25 percent of the total long-term client population of Small Business Development Centers in the U.S. Chi-square tests indicated that, by and large, the respondents were representative of the national long-term client population. Furthermore, analysis indicated that response bias did not appear to be a significant threat to the analysis.

The performance improvements of the responding sample in the year after receiving assistance were compared to the average changes in performance of U.S. businesses in general. The incremental improvements in the sample's performance -- over and above what they would have been had they performed like the average U.S. business -- were extrapolated across the entire long-term client population. To avoid overestimation of the impact of the SBDC program, only those clients who indicated that the SBDC's services were beneficial were used to calculate performance improvements, and various other adjustments were made to ensure conservative estimates. These performance improvements were then used to estimate the tax revenues generated for state and federal governments as a result of SBDC consulting. The tax revenues generated by the long-term clients were compared to the total cost of providing the services offered by the SBDC.

The 47 SBDCs studied counseled 43,636 long-term clients during the year. Of these, 24,654 (56.5%) were classified as established businesses and 18,982 (43.5%) were classified as pre-ventures. Most respondents (80.1%) indicated

that the service received from the SBDC was beneficial. Of the pre-venture clients, it was estimated that 49.2 percent started new businesses.

Results indicate that the long-term clients of SBDCs in the United States generated, in aggregate, over \$3.7 billion in sales and approximately 65,000 new jobs as a result of SBDC consulting assistance (see Table 1). The incremental performance improvements of the clients resulted in over \$85.3 million in additional tax revenues from established businesses and over \$203.2 million from pre-venture clients who started new businesses. This amounted to a total of approximately \$288.5 million in tax revenues, of which \$127.4 million went to the federal government and \$161.1 million went to the various states where the consulting was conducted. These tax revenues would not have been generated had the SBDCs not been in operation. Furthermore, when compared to the cost of operating the SBDCs in the U.S., these consulting activities generated approximately \$2.61 in tax revenues for every \$1 spent on the entire program, including the money spent on nonparticipating centers.

TABLE 1  
IMPACT OF SBDC CONSULTING ON THE ECONOMY OF THE UNITED STATES

	Established Firms	New Firms	All Firms
Aggregate sales impact	\$1,279,483,400	\$2,453,810,200	\$3,733,293,600
Aggregate employment impact	16,370 new jobs	48,563 new jobs	64,933 new jobs
State tax revenues generated	\$ 53,195,412	\$107,890,342	\$161,085,754
Federal tax revenues generated	<u>\$ 32,134,813</u>	<u>\$ 95,329,501</u>	<u>\$127,464,314</u>
Total tax revenues generated	\$ 85,330,224	\$203,219,843	\$288,550,068
Cost of long term consulting	\$ 25,472,588	\$ 14,556,890	\$ 40,029,478
Benefit to cost ratio	3.35 to 1.00	13.97 to 1.00	7.21 to 1.00
Cost of all consulting			\$ 66,987,070
Cost / benefit ratio			4.31 to 1.00
Cost of SBDC operations			\$110,471,000
Cost / benefit ratio			2.61 to 1.00

## INTRODUCTION

This report describes the results of a study designed to assess the economic impact of the long term consulting activities of the Small Business Development Center (SBDC) program in the United States in 1990. Long term clients are defined as those which received a minimum of five hours of consulting assistance from the SBDC. The economic impact of consulting activities was analyzed by comparing the increases in sales and employment experienced by SBDC clients between 1990 and 1991 with the average changes in performance for all businesses in the United States during this time period. The growth in sales and employment in excess of national averages was used to calculate the incremental federal and state tax revenues generated the year after consulting assistance was provided. The tax revenues generated by SBDC-counseled clients were then compared to the cost of the service to determine if it was cost effective. The remainder of this report describes the methodology and results of this study.

## OVERVIEW: THE 1990 NATIONAL IMPACT STUDY

In 1990, the SBDCs in the United States provided long term consulting assistance to 43,636 clients, of which 24,654 were owners of established small businesses and 18,982 were seeking to start new businesses (pre-ventures).<sup>1</sup> A stratified, systematic random sampling procedure was used to select the sample of these clients. Based on previous experience, a 20 percent response rate to the survey was anticipated. Allowing for this as well as for returned and

---

<sup>1</sup> The study includes only 47 of the 56 state centers in operation in 1990 that participated in this study: Alabama, Alaska, Arkansas, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas-Lubbock, Texas-San Antonio, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

unusable questionnaires, we estimated that it would be necessary to survey 25 percent of the client population to obtain statistically reliable estimates of sales and employment means.

The 10,909 clients selected for inclusion in the survey were then sent a mail questionnaire asking their evaluation of the SBDC's services and their sales revenues and employment levels for 1990 and 1991 (Appendix). A total of 1563 established business clients and 1044 pre-venture clients returned questionnaires. This represented a 23.9 percent response rate. Because of missing data and the decision to analyze only clients who indicated that the SBDCs' services were beneficial, the effective sample sizes for established and pre-venture respondents were 980 and 840, respectively.

#### SAMPLE SIZE

The procedures described below were utilized to determine if the number of responding clients and the number of participating centers obtained from our sampling plan were sufficient to obtain a statistically reliable sample.

The Confidence Interval of the Means. In order to determine if the number of respondents were actually sufficient to obtain a reliable and valid estimation of the average changes in sales revenue and employment of SBDC clients, the following formula was used.

$$Z = (nE^2/s^2)^{1/2} \quad (1)$$

where: n = effective sample sizes (980 established, 840 pre-ventures).  
 s = standard deviation of the sample (standardized value = 1).  
 Z = confidence interval for the mean.  
 E = amount of error in the mean to be tolerated (10% of s).

With sample sizes of 980 and 840 and a tolerated error of .1 standard deviation it was determined that the confidence interval of the sales and employment means for both the pre-venture and established business respondents were reliable at the 99.6 percent level. In other words, we were 99.6 percent

confident that our sample means were no more than one-tenth of one standard deviation from the population means.

Analysis of Number of Participating Centers Needed. To determine if the number of participating centers was adequate to provide statistical reliability, a similar formula to that shown in equation (1) was utilized. The revised formula accounts for the fact that the number of centers needed to obtain adequate representation is a substantial proportion of the total number of centers. As a consequence, the formula must account for the size of the population, as shown in equation (2).

$$Z = [nNE^2/(Ns^2 - ns^2)]^{1/2} \quad (2)$$

where: N = number of SBDC state centers (56).  
 n = number of participating centers (47).  
 s = standard deviation of the sample (standardized value = 1).  
 E = amount of error in the mean to be tolerated (10% of s).

With 47 participating centers, we obtained a confidence level of .91. In other words, we were 91 percent confident that our estimates of the SBDC's impact on the United States economy were reliable even though only 84 percent of the centers participated in the study. In any event, to be conservative, we chose not to estimate the impact of the nine nonparticipating centers.

#### SAMPLE VALIDATION

Although we surveyed a random sample of the entire population of long term clients, when a mail survey is conducted there is no way to ensure that 100 percent of those surveyed will respond to the questionnaire. Therefore, it is necessary to conduct statistical tests to ensure that respondents are representative of the population, there is a minimum likelihood of response bias, and that the data are reliable. The following procedures were used.

Representativeness. Each center was asked to provide demographic information (sex and race of client, industry in which business competes) for



all clients surveyed and for all respondents.<sup>2</sup> Chi-square goodness-of-fit tests indicated that both the pre-venture and established business respondents were representative of the population with respect to industry type and sex. However, the proportion of nonwhites who responded to the questionnaire was significantly less than their proportion in the general client population, testing at the 5 percent level. Nevertheless, since whites accounted for 85 percent of the established business clients and 80 percent of the pre-venture clients, we do not expect that this finding is an indication that the results of the study are biased in any important way.

Response Bias. Three mailings of the questionnaire were conducted. Chi-square tests of independence and analyses of variance between early and late respondents provided no evidence of response bias with respect to the perceived value of the SBDC services, average sales, or number of employees. Since late responders are very similar to nonrespondents, we conclude that there is no reason to suspect respondents differed from nonrespondents in any meaningful way along these dimensions. The analysis did reveal, however, that pre-venture clients were more likely than established business clients to respond to later mailings than earlier mailings and were also under represented in this study. This is understandable since our analysis suggests that over 50 percent of the SBDCs' pre-venture clients never actually start a business and are, therefore, likely to be more difficult to contact the longer the period between when they received consulting and when they are surveyed. Nevertheless, the fact that no significant differences were found with regard to sales or employment by mailing suggests that this potential source of bias had no important impact on the findings.

---

<sup>2</sup> The comparative statistical analysis of the random sample and respondents were conducted with data from 35 state centers. The remaining twelve state SBDCs did not provide demographic data for this analysis.

Reliability. The reliability of the questionnaire was assessed by a point biserial correlation analysis of the clients' responses to questions concerning whether the SBDC's services were beneficial and their evaluations of the quality of their consultants. The results were statistically significant at the .01 for both pre venture ( $r = .629$ ) and established business clients ( $r = .624$ ), suggesting that clients' responses were reliable.

#### DATA ANALYSIS METHODS

The methods for estimating the economic impact of SBDC consulting services are described below.

#### EXISTING BUSINESSES

For existing businesses who received at least five hours of assistance, the changes in sales and employment between the year in which consulting was received (1990) and the year after consulting was received (1991) was calculated. Two part-time employees were considered equivalent to one full-time employee.

Rates of sales and employment growth for the existing clients were compared with the weighted average growth rates for the U.S. on each measure. Statewide averages were weighted according to the number of clients served by each center as a proportion of the total number of clients served by the SBDC nationally.<sup>3</sup> This procedure guards against potential biases that might exist if response rates to the survey differ by state center.

The difference between the growth rate of clients and weighted average growth rates for all businesses in the nation was used to estimate the

---

<sup>3</sup> Average state sales growth rates were supplied from 32 centers. Average state employment growth rates were supplied by 37 centers. Average sales and employment growth rates for the remaining centers were calculated by computing the unweighted average of the centers that did provide such data. All growth rates used were then weighted according to center size to arrive at final growth figures.

incremental or marginal changes in sales and employment growth of the sample. Only those clients who indicated that the SBDC's services were beneficial were used to calculate the incremental growth rates. The incremental growth rates were multiplied by the average sales and employment of the respondents for the year before consulting was received.

Weighted averages of each tax figure (sales taxes, state and federal income taxes) were calculated based on the proportion of clients served by each state compared to the total number of clients served by the SBDC nationally to guard against potential bias that might exist if response rates to the survey differ by state.<sup>4</sup> The weighted average sales tax rate was reduced by 25 percent to reflect the fact that not all businesses pay sales taxes even though some of their sales may eventually "pass through" to the final consumer. This adjustment may still overestimate taxes paid on sales. However, this approach is more realistic and conservative in its assessment of sales tax contributions than previous approaches, yet still captures the added value of those businesses whose sales are not directly taxed. Furthermore, any overestimate must be weighed against the fact that such businesses are taxed in ways not measured in this study (e.g., corporate income taxes).

Federal income tax data were obtained from the Internal Revenue Service's Statistics of Income Bulletin (Spring 1993). Average income taxes paid per return for persons of median incomes were used rather than average incomes taxes for all returns to better reflect the types of employment opportunities offered by our respondents. Since the median federal income taxes paid per return were 40 percent of the average, we also adjusted the average state income taxes paid per return accordingly.

---

<sup>4</sup> Sales tax data were supplied by 38 state centers. State income tax data were supplied by 35 state centers. Tax estimates for the remaining centers and the final weighting scheme were calculated using the same procedure described in footnote 3.

Adjusted weighted sales tax and state personal income tax rates were multiplied by the average incremental improvements in sales and employment respectively to arrive at the value added figures. Weighted federal personal income tax figures were multiplied by the average incremental improvement in employment. All these numbers were then multiplied by the total number of existing business clients after adjusting for the proportion of the respondents who indicated the SBDC's services were beneficial. The formula for the calculations can be expressed as follows:

$$\text{Average Growth} \times \text{Tax Rate} \times \text{Proportion of Clients Satisfied w/Service} \times \text{Total Number of Clients} = \text{Total Tax Revenues} \quad (3)$$

#### DATA ANALYSIS METHODS: PRE-VENTURE CLIENTS

Similar procedures were used for pre-venture clients who received at least five hours of assistance, with the following exceptions. First, as pre-ventures had no previous sales or employees from which to calculate growth, the raw averages were used to assess economic impact. Second, this average was adjusted to account for the total number of pre-venture clients who failed or did not start a business (50.8% of the sample). This adjustment was made as follows:

$$\text{Average Performance} = \text{AS} \times (\text{NS}/\text{NP}) \quad (4)$$

where: AS = average performance (sales and employment) of successful pre-ventures

NS = number of successful pre-ventures

NP = number of pre-ventures (successful + unsuccessful)

Once this adjustment was made, the average performance of the pre-venture respondents was multiplied by the corresponding tax rates, the proportion of pre-ventures who judged the SBDC's services to be beneficial, and the total estimated number of pre-venture clients. This formula is shown below.

$$\text{Average Performance} \times \text{Tax Rate} \times \text{Proportion of Clients Satisfied w/Service} \times \text{Total Clients} = \text{Total Tax Revenues} \quad (5)$$



## BENEFIT OF SBDC SERVICES TO COST

The tax revenue generated by the SBDC was divided by the total cost of providing the services to arrive at a benefit-to-cost ratio. The total operating budget of the SBDC was used for this calculation. This was an extremely conservative approach since only 84 percent of the centers participated in the study (and accounted for only 89.1 percent of the combined budgets of the 56 SBDCs), only about 60.6 percent of the total budget was used for consulting, and only 59.8 was used for long term clients.<sup>5</sup> Thus, the calculations compare the impact of assistance which consumed a total of 32.3 percent of the United States SBDCs' budget with the amount spent on the entire SBDC operation.

To provide additional insights we also made cost benefit comparisons with the entire SBDC consulting budget as well as the portion of that budget spent on assisting long term established and pre-venture clients.

## RESULTS

The results of the analysis provided below suggest that the consulting services provided by the United States SBDC are both effective and efficient.

### ESTABLISHED BUSINESS CLIENTS

Eighty percent of the established business clients who responded to the survey indicated that SBDC services were beneficial. This proportion is significantly different from 50-50 chance, testing at the .001 level. Thus, it appears safe to conclude that the SBDCs in the United States provide high quality consulting assistance to those clients.

Table 2 compares the 1990 and 1991 performance of established small business clients in terms of sales and employment. Table 3 compares the changes

---

<sup>5</sup> Estimates of consulting budgets were made from data supplied by 36 state centers and then applied to the entire SBDC budget for all 56 centers.



in performance between 1990 and 1991 of SBDC clients with the changes in performance experienced by the average United States business. As these Tables show, these clients enjoyed significantly higher sales growth rates relative to the average United States business (7.78% vs. 1.13%).

There was also an increase in the number of individuals employed by these clients in 1991 compared to levels in 1990 (14.94 vs. 14.03). The employment growth rate of established clients was significantly greater than the employment growth rate for United States businesses in general (6.49% vs. 0.58%).

As seen in Table 4, the overall impact estimate for established business clients suggests that the SBDC services led to a total of over \$85 million in new tax contributions to government: \$53 million to the state where they resided and \$32 million to the Federal. As seen in Table 5, these additional tax revenues alone paid for 77 percent of the cost of operating all 56 SBDC centers. It is also impressive to note that the tax revenue generated by the long term established business clients exceeded the entire national consulting budget and was over three times as large as the portion of the budget devoted to them.

PRE-VENTURE CLIENTS

Over 80 percent of the responding pre-venture clients viewed the consulting provided by the SBDC to be beneficial; a result significantly different from 50-50 chance, testing at the .001 level. Thus, it is our conclusion that the SBDCs in United States are effectively meeting the needs of those clients who aspire to start a new business.

The average 1991 sales of the pre-venture clients who viewed the SBDC's services as beneficial was \$161,185 after adjusting for unsuccessful clients. After similar adjustments, we calculated that 3.19 new jobs were created per client. As Table 6 indicates, these new sales and new employees resulted in aggregate tax payments of over \$203 million dollars to state and Federal governments (\$108 million to the states and \$95 million to the Federal). It

should be emphasized again that these tax contributions would not have been gained if these businesses had not been created and that the SBDC made a significant contribution to the formation of these new firms.

When compared to the cost of operating the entire SBDC operation, the tax revenues generated by the pre-venture clients returned \$1.84 for every dollar expended in total by the 56 SBDCs in the United States. These figures become more impressive when one realizes that only 60.6 percent of the SBDCs budget went to consulting -- of which only 59.8 percent went to long term clients -- and only about 36 percent the hours devoted to long term clients were spent on pre-ventures. If one considers only the cost of providing long term consulting to pre-venture clients, the tax revenues generated exceeded the cost of providing the services by a ratio of almost 14 to 1 (Table 7). Thus, as impressive as the results of the consulting provided to established business clients were, the results for the pre-venture clients were more impressive still.

#### SUMMARY AND CONCLUSIONS

Results of this analysis indicate that the SBDC makes a significant contribution to economic development in the United States and is efficient from the standpoint that the tax revenues generated by its clients far exceed the entire cost of its operation. Thus, it can be concluded that the United States SBDC is both effective and efficient in the discharge of its charter.

Although the numbers presented in this report are only estimates, their magnitude suggests that even if we greatly overestimated the economic impact of the SBDC our overall conclusions would remain the same. Furthermore, the estimates reported herein do not consider (1) the impact of the nine nonparticipating centers, (2) the other programs the SBDC offers (e.g., workshops, seminars), (3) the value added to the operations of short term clients, (4) the continuing tax revenues generated by long term clients after

the year of analysis, (5) the many failures SBDC assistance helps stave off and the individuals with unviable business ideas it discourages, or (6) other tax revenue sources such as corporate taxes, property taxes, unemployment taxes, social security payments, and so on. Taking all of these factors into account it should be obvious that money spent on the United States SBDC is an extremely worthwhile investment.

From a public policy standpoint, the implications of this research are obvious. The SBDC plays an important role in the U.S. economy. By assisting established small businesses in improving their operations SBDCs across the United States contribute to the more efficient utilization of resources. Furthermore, these small firms provide significant employment opportunities for the citizens of United States.

The SBDC's contribution through its work with pre-venture clients is just as important, however. By helping individuals identify viable new business ventures the SBDC fosters economic growth and job generation. Because it provides assistance to small business persons and would-be entrepreneurs who often cannot afford the luxury and expense of a private consultant, this contribution becomes even more important.

Nevertheless, what makes the existence of the SBDC program justifiable from a public policy perspective is the continuing evidence that the assistance it provides returns more tax revenues to State and Federal governments than the cost of operating the program.

TABLE 2  
1990-1991 AVERAGE SALES AND EMPLOYMENT OF ESTABLISHED CLIENTS  
WHO INDICATED THAT SBDC ASSISTANCE WAS VALUABLE\*

	1990	1991	Average Change	Standard Deviation of Change
Sales *	\$ 975,522	\$1,051,410	+ \$ 74,888	1,093,378
Employment **	14.03 jobs	14.94 jobs	+ 0.91 jobs	6.347

\* Based on analysis of 980 clients which provided usable data for both 1990 and 1991.

\*\* Based on analysis of 1,134 clients which provided usable data for both 1990 and 1991.

TABLE 3  
CHANGES IN SALES AND EMPLOYMENT BETWEEN 1990-1991:  
SBDC ESTABLISHED BUSINESS CLIENTS VERSUS AVERAGE BUSINESS IN UNITED STATES

	Average % change in small business sample	Average % change all U.S.firms	Average incremental change in small business sample	
			percent	aggregate
Sales	+ 7.78%	+ 1.13%	+ 6.65%	+ \$ 64,872*
Employment	+ 6.49%	+ 0.58%	+ 5.91%	+ 0.83 jobs**

- \* Difference between sales growth of established business clients and sales growth of average U.S. business was significant at the .032 level (one-tail test).

$$t = (X - u)/(s/n^{1/2}) = 64872/34927 = 1.86$$

- \*\* Difference between employment growth of established business clients and employment growth of average U.S. business was significant at the .0001 level (one-tail test).

$$t = .83/.19 = 4.37$$



TABLE 4  
INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL GOVERNMENTS  
AS A RESULT OF SBDC CONSULTING OF ESTABLISHED BUSINESS CLIENTS

## STATE TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Sales	64,872		.0372*		.800		24,654		\$47,596,784
Employment	0.83		\$342**		.800		24,654		\$ 5,598,628
Total									\$53,195,412

## FEDERAL TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Employment	0.83		\$1963***		.800		24,654		\$32,134,813
TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES									\$85,330,224

\* Figure represents 75 percent of weighted average state sales tax rate in United States in 1991 (4.96%).

\*\* Figure represents 40 percent of weighted average state personal income tax per return in 1991 (\$855).

\*\*\* Figure represents weighted average of federal income taxes paid per return by median income filers.

TABLE 5  
THE COSTS AND BENEFITS OF SBDC CONSULTING IN THE UNITED STATES:  
ESTABLISHED BUSINESSES

Total incremental State and Federal tax revenues Added by long term established business clients	\$ 85,330,224
Cost of operating 56 SBDC programs	\$110,471,000
Benefit to cost ratio	0.77 to 1.00
Cost of all consulting	\$ 66,987,070
Benefit to cost ratio	1.27 to 1.00
Cost of consulting to long term established business clients	\$ 25,472,588
Benefit to cost ratio	3.35 to 1.00

TABLE 6  
INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL GOVERNMENTS  
AS A RESULT OF SBDC CONSULTING OF PRE-VENTURE CLIENTS

## STATE TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Sales	161,185*		.0372	@	.802		18,982		\$ 91,281,738
Employment	3.19	**	\$342	@@	.802		18,982		\$ 16,608,604
Total									\$107,890,342

## FEDERAL TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Employment	3.19		\$1963	@@@	.802		18,982		\$ 95,329,501
TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES									\$203,219,843

\* Based on 840 usable responses for this portion of the analysis the sales mean (S.D. = 568139) was significantly different from zero testing at the .0001 level (one-tail test).

$$t = 161185/20037 = 8.04$$

\*\* Based on 840 usable responses for this portion of the analysis the employment mean (S.D. = 8.94) was significantly different from zero testing at the .0001 level (one-tail test).

$$t = 3.19/.32 = 9.97$$

@ Figure represents 75 percent of weighted average state sales tax rate in United States in 1991 (4.96%).

@@ Figure represents 40 percent of weighted average state personal income tax per return in 1991.

@@@ Figure represents weighted average of federal income taxes paid per return by median income filers.

TABLE 7  
THE COSTS AND BENEFITS OF SBDC CONSULTING IN THE UNITED STATES:  
PRE-VENTURES

Total incremental State and Federal tax revenues Added by long term pre-venture clients	\$203,219,843
Cost of operating 56 SBDC programs	\$110,471,000
Benefit to cost ratio	1.84 to 1.00
Cost of all consulting	\$ 66,987,070
Benefit to cost ratio	3.03 to 1.00
Cost of consulting to long term pre-venture clients	\$ 14,555,890
Benefit to cost ratio	13.97 to 1.00

APPENDIX I  
IMPACT STUDY QUESTIONNAIRE

ALL INFORMATION SPECIFIC TO INDIVIDUALS AND FIRMS WILL BE KEPT CONFIDENTIAL.

1. IN 1991 YOU CAME TO THE SBDC FOR COUNSELING CONCERNING YOUR SMALL BUSINESS. WHAT IS THE MAJOR ACTIVITY OF THIS BUSINESS? Please check one.

☐ Retailing (food, apparel, autos, etc.)  
☐ Construction (all general, and other contractors)  
☐ General services (motel, laundry, etc.)  
☐ Professional services (accounting, law, medical, etc.)  
☐ Finance, Insurance, Real Estate  
☐ Wholesale (distributor, etc.)  
☐ Manufacturing  
☐ Mining  
☐ Agriculture  
☐ Other (please specify) \_\_\_\_\_

2. WHEN WAS YOUR BUSINESS STARTED?

Month • \_\_\_\_\_ Year \_\_\_\_\_

3. ON AVERAGE, HOW MANY FULL-TIME EMPLOYEES (35 hours or more each week) DID YOU HAVE IN EACH OF THE FOLLOWING YEARS THAT YOU WERE IN BUSINESS? PLEASE COUNT YOURSELF IN THESE TOTALS.

Please provide this data for a period as close as possible to the appropriate Calendar year for any year or part year listed below that you were in business. If you were not in business during any part of that year, just write NA, not applicable, in the blank.

1989 \_\_\_\_\_  
 1990 \_\_\_\_\_  
 1991 \_\_\_\_\_



4. ON AVERAGE, HOW MANY PART-TIME EMPLOYEES (less than 35 hours each week) DID YOU HAVE IN EACH OF THE FOLLOWING YEARS THAT YOU WERE IN BUSINESS?

Please provide this data for a period as close as possible to the appropriate Calendar year for any year or part year listed below that you were in business. If you were not in business during any part of that year, just write NA, not applicable, in the blank.

1989 \_\_\_\_\_

1990 \_\_\_\_\_

1991 \_\_\_\_\_

5. WHAT IS THE AVERAGE HOURLY PAY RATE, IN DOLLARS (e.g, wages, salaries, commissions, etc.), FOR THE JOBS CREATED BY YOUR BUSINESS FROM 1990 TO 1992?

\_\_\_\_\_

6. WHAT WERE YOUR TOTAL SALES REVENUES IN DOLLARS FOR EACH OF THE FOLLOWING YEARS THAT YOU WERE IN BUSINESS?

Please provide this data for a period as close as possible to the appropriate Calendar year for any year or part year listed below that you were in business. If you were not in business during any part of that year, just write NA, not applicable, in the blank.

1989 \_\_\_\_\_

1990 \_\_\_\_\_

1991 \_\_\_\_\_

7. WAS THE OVERALL SERVICE YOU RECEIVED FROM THE SBDC BENEFICIAL?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. RECALLING THE COUNSELING YOU RECEIVED FROM THE SBDC CENTER, HOW WOULD YOU RATE THE KNOWLEDGE AND EXPERTISE OF THE SBDC CONSULTANT ASSIGNED TO HELP YOU? Please circle the appropriate response.

Excellent      Above Average      Average      Below Average      Poor

9. HOW WOULD YOU DESCRIBE YOUR OVERALL WORKING RELATIONSHIP WITH THE SBDC CONSULTANT ASSIGNED TO ASSIST YOU? Please circle the appropriate response.

Excellent      Above Average      Average      Below Average      Poor

## APPENDIX 3

ANALYSIS OF IMPACT OF REQUIRING  
SMALL BUSINESS DEVELOPMENT CENTERS  
TO CHARGE CLIENTS FOR CONSULTING

The results of any requirement that Small Business Development Centers charge fees (no matter how small) would be disastrous for the program. There are a number of the characteristics of the SBDC program which would be fundamentally changed.

- Destruction of the Educational Mission

The Small Business Development Center consulting engagement is essentially an educational process in which the consultant is educating the business owner by guiding him or her through the process of addressing a business development issue. The SBDC is attempting not only to solve a question or address a problem, but also to educate the owner on how that is done. In that context, the owner is expected to invest his or her time and effort in the process. It is the educational nature of the consulting engagement that distinguishes the Small Business Development Center from services that can be purchased from any number of business consultants.

If a fee were charged, the relationship between the Small Business Development Center and the client would change as a product for fee expectation would be established. This would likely reduce the SBDC's ability to insist upon the client bearing a major proportion of the workload associated with the educational process. "If I am paying you, why are requiring

me to do all the work?"

#### Non-Profit Competition with the Private Sector

If a fee were charged, it would immediately create an image problem of unfair non-profit competition with the private sector. The Small Business Development Center would be perceived and accused of (whether correctly or incorrectly) taking business away from for profit businesses. Non-profit competition with the private sector is a very volatile issue; and to be forced into that fight, would be to damage severely or even destroy the SBDC program in many states.

#### Loss of Non-Federal Governmental Partnerships

The SBA is only one of the financial partners of the Small Business Development Centers. State and local governments and public institutions of higher education also contribute substantial funding to the program.

The reactions of these partners might vary, but the combined result of the reactions would likely be reduction in or elimination of support for the program.

The state governments would likely reduce or eliminate support because they are: 1) opposed to fees or, 2) are opposed to raising their funding to generate revenue all of which is returned to the federal agency.

As an alternative, the state governments might, as the federal agency, begin viewing the Small Business Development Centers as a source of revenue and would insist upon raising fees placing the SBDCs at even higher risk in terms of the "non-profit competition" issue.

Local government reaction is likely to be much like that of the state in that they will find it hard to fund an activity that charges fees to the local governments' constituents.

- Loss of Support From the Private Sector

Many if not most Small Business Development Centers receive cash and in-kind contributions from private sector individuals and corporations. With the capacity to charge fees, the SBDCs lose their most powerful argument in soliciting this funding.

- Administrative Burden

Given the level of the fee to be charged, the administrative costs related to billing, collecting, record keeping, and transfer of the funds from subcenters to lead center, to the federal government would probably exceed the amount of fees collected. This also would require Small Business Development Centers to become collection agencies - a role inconsistent with their mission as educators.



- Fees are not an Effective Screening Mechanism

One argument for charging a fee is that it would serve to screen out those who are not serious. While that argument may have some validity, most Small Business Development Centers have developed far more effective screening mechanisms such as business feasibility and start-up workshops. These mechanisms, in addition to screening, also have educational and informational content and help to prepare clients to work with SBDC consultants.

The CHAIRMAN. Thank you very much, Mr. Higgins.  
Mr. Yancey?

**STATEMENT OF W. KENNETH YANCEY, EXECUTIVE DIRECTOR,  
SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION,  
WASHINGTON, DC.**

Mr. YANCEY. Mr. Chairman, my name is Ken Yancey, and I am executive director of the Service Corps of Retired Executives Association. I request that my full statement be included in the record, and I will speak informally for the five minutes you have allotted me. I appreciate the opportunity to be here this afternoon.

Mr. Chairman, if I may correct a verbal statement made by the SBA earlier, SCORE projects that it will reach 350,000 businesses, not 350, in fiscal year 1995.

The CHAIRMAN. A minor error there.

Mr. YANCEY. Just minor, and we will overlook it. As members of this Committee know, SCORE is a nonprofit association of retired men and women who volunteer their time and expertise to assist new and existing small businesses. SCORE volunteers provide many services to the persons who seek our help. We counsel those people who are thinking of going into business, we counsel existing business owners, we help our clients by recognizing the potential for failure early in the process, we help our clients by using our considerable networking skills, we counsel separated military personnel and people laid off in the private sector to consider small business as a career alternative. For example, SCORE has been very active at the Alameda Air Force Base in Oakland which is closing and in other military installations around the country, including the Orlando Naval Training Center in Florida and Mare Island Naval Shipyard in California.

For people affected by corporate downsizing we are providing counseling and workshops at the Superconducting Super Collider in Texas, the Pratt Whitney plant in Hartford, Connecticut, and Martin Marietta in Orlando, Florida. We are helping these displaced individuals to consider small businesses as a potential employer and to consider self-employment as a career alternative.

SCORE has a presence in all 50 States and the U.S. territories. A statistical snapshot of SCORE at the end of fiscal year 1993 shows that 12,845 SCORE members counseled 175,893 business operators and aspirants in 232,434 sessions. We conducted 3,909 workshops for 110,415 attendees. In short, Mr. Chairman, during fiscal year 1993 SCORE reached 286,308 businesses and individuals. In total, SCORE volunteers provided over 1.1 million hours in support of small business in fiscal year 1993. Based on the 1993 budget, SCORE services cost the American taxpayer roughly \$2.80 per volunteer hour, a remarkably low price for practical business advice.

For fiscal year 1993 our budget was \$3.08 million. For fiscal year 1994, Congress increased SCORE's budget to \$3.5 million, \$500,000 of which we were instructed by Congress to spend on enhanced training. For fiscal year 1995, SCORE requested \$4.4 million; however, the administration's budget allocates only \$3.08 million. That is \$1.3 million less than requested and \$420,000 less than in fiscal

year 1994. This sum is almost equal to what Congress urged us to spend on training during fiscal year 1994.

Our fiscal year 1995 request included such additional SCORE services as: enhanced training of SCORE counsellors; participation in SBA initiatives, including business information centers and one-stop capital shops that will be included in the proposed empowerment zones; increasing our ability to assist individuals in communities that are affected by defense or private sector layoffs; increasing our efforts to reach out to women and minority business owners; and implementing SCORE's onsite chapter review where the operations of each of our 388 chapters will be reviewed by SCORE field managers.

We recently took over from SBA the reimbursement of SCORE volunteers for travel expenses incurred in their counseling efforts. Also, the SBA in many instances is not able to provide our chapters with office supplies, postage, photocopying, and office space, which they have provided in the past. We have been told to expect this situation to get worse. The space situation is so bad that in Honolulu we are counseling in the hallway adjacent to the elevators.

Without proper funding, we will be hampered in our objective to provide an increased quality of services to America's business and to aspiring entrepreneurs. 1994 marks SCORE's 30th year of service to America's small business. We appreciate the excellent relationship that we have had with the SBA, with SBI, SBDC, and the Small Business Advancement National Center. These organizations each provide important services to different sections of the small business community.

I appreciate your time today and for having us be here, and we will be happy to answer any questions.

[The prepared statement of Mr. Yancey follows:]

#### PREPARED STATEMENT OF W. KENNETH YANCEY, JR.

Mr. Chairman, my name is W. Kenneth Yancey, Jr. and I am Executive Director of the Service Corps of Retired Executives Association (SCORE).

My colleagues and I appreciate this opportunity to testify before this Committee which over the years has been of so much help to small businesses in America and to SCORE. As I am new to both the committee and to SCORE, I would like to provide some brief personal information. I am originally from the Dallas area and prior to joining SCORE was Executive Director of the National Business Association, a non-profit organization of businesses of typically less than 5 employees. Before that I was a bank officer for 8 years in Texas as a small business lender and retail manager.

As the members of this Committee know, SCORE is a non-profit association of retired men and women who volunteer their time and expertise to assist new and existing small businesses. SCORE volunteers provide many services to people who seek our help:

- We counsel those people who are thinking of going into business.
- We counsel existing business owners who have specific problems such as cash-flow or marketing.
- We help our clients by recognizing potential for failure early in the process.
- We help our clients by using our considerable networking skills.
- We provide our business experience to entrepreneurs who wish to discuss planning and review of their overall operation.
- We counsel separated military personnel and people laid off in the private sector on considering small business as a career alternative.

SCORE has a presence in all 50 states and the U.S. territories. A statistical snapshot of SCORE at the end of fiscal year 1993 shows that 12,845 SCORE members counseled 175,893 business operators and aspirants in 232,434 sessions and conducted 3,909 workshops for 110,415 attendees. In total, SCORE volunteers provided



over 1.1 million hours in support of small business in fiscal year 1993. Based on the 1993 budget, SCORE services cost the American tax payer roughly \$2.80 per volunteer hour. A remarkably low price for sound business advice.

SCORE maintains a close working relationship with the Small Business Administration (SBA) both in Washington and across the country, helping to fulfill SBA's mission of assisting America's small entrepreneurs. SCORE provides counseling and, in one case, on-site management for all of the presently-existing Business Information Centers (BICs) which are partnerships between SBA and SCORE. SCORE has been requested to provide those services for the 13 BICs that are in various stages of planning as well as in One Stop Capital Shops (OSCS) that will exist within the so-called empowerment zones. SCORE also counsels and conducts workshops for those individuals and businesses that are affected by military base closings, downsizings, base conversions, or those who are released from the military. For example, SCORE has been very active at the Alameda Air Force Base in Oakland which is closing and at other installations around the country, including:

- Orlando Naval Training Center, Florida.
- Grand Forks Air Force Base, Grand Forks, North Dakota.
- Mare Island Naval Shipyard, California.
- Lowry Air Force Base, Denver, Colorado.

SCORE volunteers also provide services for people affected by corporate downsizing. For example, we are conducting workshops at the Super-Conducting Super Collider for those laid off because it is closing. Also, along with the SBA, in Hartford, Connecticut we are assisting those laid off from the Pratt Whitney plant. We are working with people laid off by Martin Marietta in the Orlando area as well. SCORE helps displaced individuals to consider small businesses as a potential employer and to consider self-employment as a career alternative.

SCORE's services to the small business community during fiscal year 1993 were conducted on a budget of \$3.08 million. For fiscal year 1994 Congress increased SCORE's budget to \$3.5 million.

For fiscal year 1995 SCORE rested \$4.4 million. However, the Administration's budget allocates \$3.08 million. That is \$1.3 million less than requested and \$410,000 less than fiscal year 1994.

Our original rest for fiscal year 1995 allowed for additional SCORE services, which included:

- Enhanced training of the SCORE counselors.
- Participating in SBA initiatives including BIC's and OSCS.
- Increasing our ability to assist individuals or communities affected by defense or private sector layoffs.
- Increasing our efforts to reach out to women and minority business owners.
- Recruiting more women and minority SCORE members.
- Implementing the SCORE On-Site Chapter Review program, whereby each SCORE chapter will be periodically evaluated by a SCORE volunteer field manager.

The additional funding would also help us pay for the printing of business development publications which are used daily by our counselors. They are now provided only on a very limited basis by the Business Assistance Trust Fund operated by the SBA.

Since the original submission of the 1995 budget request, SCORE has also assumed full responsibility for its financial management by taking over from the SBA the reimbursement of SCORE volunteers for travel expenses incurred in their counseling efforts. The SCORE Travel Expense Reimbursement System (TERS) staff now processes over 700 expense vouchers and checks per week, relieving the SBA of a tremendous administrative burden. This task was undertaken by the National SCORE Office with no increase in long term funding. Also, the SBA in many instances is not able to provide our chapters with office supplies, postage, photocopying and office space, which they had provided in the past.

Without proper funding, we are hampered in our objective to provide an increased quality of services to America's businesses and to aspiring entrepreneurs.

1994 marks SCORE's 30th year of service to America's small businesses. We appreciate the excellent relationship we have had with the SBA, SBI and SBDC. Many SCORE chapters also utilize the resources available through the Small Business National Advancement Center. These organizations each provide important services to different portions of the small business community.

Thank you again for inviting me to testify today.

Senator BUMPERS. Mr. Yancey, how do you recruit these people, the volunteers?

Mr. YANCEY. The volunteers are recruited at the chapter level, and they are recruited from the normal contacts that our existing volunteers would have. We are primarily recruiting for skill. We may have a chapter that would be in need of someone with banking experience, accounting experience, retailing experience, and we would seek out an individual with that type of experience to bolster our abilities at the chapter level.

Senator BUMPERS. Let me just say, of course, I think all of these programs are very cost-effective. We are talking about a relatively small amount of money for all of these.

Mr. Higgins, you testified to something that I really had not thought about. You said the SBDCs are not going to be rhapsodic about sharing \$17 million with the Federal Government or handing it over when there is a lot of local money put into these things. Do you know, Nationwide, what percentage of SBDCs are funded from matching shares?

Mr. HIGGINS. All SBDCs are required to put up at least 50 percent of the funding.

Senator BUMPERS. That includes in-kind.

Mr. HIGGINS. That would include in-kind and direct cost.

Senator BUMPERS. In the State of Pennsylvania, how much money do you get, and how much does the State put in cash?

Mr. HIGGINS. We get \$3.3 million. The State puts up \$1.3 million, and the universities, participating universities put up about another million in cash, and there is in-kind.

Senator BUMPERS. There is not much in-kind in your operation?

Mr. HIGGINS. There is, but there is also substantial cash. We are overmatched.

Senator BUMPERS. Do you think that—whatever they get they are not going get \$17 million, I can tell you that now, but do you think that whatever they get ought to be shared with you on the basis of the percentage of the money put up as a local share?

Mr. HIGGINS. I think that would be about enough to cover the collection cost of the fees.

Senator BUMPERS. Do you think Senator Bennett was on target when he was talking about collecting that money?

Mr. HIGGINS. I cannot imagine the nightmare that would cause for us. The number they are basing their \$17 million on includes such things as volunteered consultants' time. Attorneys and CPAs who are donating time to us and we are then linking them with a client, and SBA is going to require us to charge \$15 for this volunteer's time. I do not think that is going to work.

Sometimes we use student assistants, so are we to charge student assistant time at \$15 an hour? The number SBA is using includes travel and prep time, and the average prep time in Pennsylvania is about 2 hours of preparation for every hour of contact time, so immediately if you meet with a client for an hour, there is a \$45 charge if you did not have to travel to go see them.

I do not think anyone has thought through this proposal.

Senator BUMPERS. I can just see that brainstorming going on when this was conjured up, can you not?

Mr. HIGGINS. It was a minor thunderstorm, at best.

Senator BUMPERS. Dr. Kemp, your figure of \$70 million for \$3 million is pretty impressive. It would make us look pretty stupid



not to fund \$3 million if you are going to get \$70 million of benefit, would it not?

Dr. KEMP. I think that is true, yes, sir, and we can support the figures.

Senator BUMPERS. Most people agree we are stupid whether we admit it or not.

Dr. KEMP. The \$70 million, or thereabouts, is a calculation we made several years ago over trying to study our program to come up with an impact, and that is mostly matching funds.

That is money from the universities in terms of overhead and all those things that they do not charge for, it is money from the faculty who spend lots of time consulting with their students and with their clients for free, and then it is a fair fee for the student time in the market, so in effect, that is matching funds, and so the Government gets one heck of a deal for its \$3 million, you bet.

Senator BUMPERS. Don, who do you send this to?

Dr. BRADLEY. What are you talking about, this kind of stuff?

Senator BUMPERS. Yes.

Dr. BRADLEY. We made this especially for this hearing. Could I say something, Senator Bumpers, that to bring the hearing process up to a more sophisticated level, I called and asked to have some electronic equipment available here, and I was told all I could bring were handouts or posters. We have CD-ROMs and a lot of other advanced computer tools which are available in the new electronic age. This new modern technology, if available, would enhance hearings and presentations.

The reason that you have this information in handout form is that I was not able to bring some of that modern technology with me. Our center is on the leading edge of technology.

I am working with satellite communications, and a lot of other things that are going to bring small business counseling and small business research to people that have never been touched before with our national network.

These Business Information Centers (BICs) are nice, but Senator Bumpers, with my system, I can reach people anywhere, any time, 24-hours-a-day, anywhere in the U.S. if they have a PC and a modem or are hooked to Internet or Prodigy. I can reach them in Missoula, Montana, and in all kinds of little towns that nobody ever thought about. Yet, it is only in large cities where BICs are created and all this money is being spent. What happened to the people in the small cities?

Now, I do not want to be against big cities, because big city people can use our network, too, but you know, here again the SBA is talking about saving money, while they are talking about serving people. I already have a network, and I already have something that can reach thousands, if not millions of people the most cost-efficient way. You will not have printing costs, or have to spend big bucks on buying books or manning centers, because the network is available 24-hours-a-day with a PC and a modem or Internet.

Senator BUMPERS. Don, you get the last word.

Dr. Kemp?

Dr. KEMP. I would like to add one sentence to what Don said. A student team going out in the field can take a laptop computer with them and interact with the network from any of our clients.

That system is viable, and it supports our program, and these programs go right together, so we can reach that program from any place in the country.

Dr. BRADLEY. I think that is the key, that literally we have student teams that are going out to that business and getting all the data they need to help that business by a phone line and a PC, which in this case is a laptop with a modem in it. They have got all the things they need right there in that business, and this is the kind of technology that we have got to be moving into to help small businesses to compete globally.

I spent last summer training people in Bulgaria on entrepreneurship and how to run small businesses. I want to tell you something, Senator Bumpers, those people in the Eastern bloc are working on some of the most sophisticated technology. They are leapfrogging us because they are using a lot of this technology already.

If we are not careful, if American small business and the SBA does not move into the new technology, these people in the Third World and the Eastern bloc are going to get ahead of us, because they are leapfrogging into the new technologies, and for some reason we seem to be lagging behind when it is already here.

We already have it in Conway, AR. As you are well aware, we are one of the leaders in Arkansas in computerization, along with Systematics, Acxiom, and Dillards, one of the leaders in inventory control in retailing. Probably one of the biggest retailers in using technology is Wal-Mart, with their satellite transmission and various other types of inventory control.

We are already using this in Arkansas. We are already using this in business. Why is it not here in Washington, DC? Why is it not available to the rest of the country? These are things that are sometimes hard for me to understand. You helped me finance part of this, and I appreciate it, but the State of Arkansas and private entities have also invested in our center.

We have arrived in this new world, but it does not seem like some of the rest of the people are wanting to come along. Am I making any sense to you?

Senator BUMPERS. Don, let me ask you a question. How would I know you have all that stuff? I might have a modem and a laptop and so on, and I might want the information, but how would I know how to get in touch with it?

Dr. BRADLEY. Well, we are trying to get the word out. We had some information in Inc. Magazine. Of course, all the SBA offices are familiar with what we are doing. All our resource partners know that it is there for anybody that calls or needs that information.

I have to admit one of my problems is that I do not have the money to market the same as the SBDC's people. I have a problem. It takes every dime I have just to keep the center going. I have not really been given any marketing money, so we are getting the word out the best way we can. This is one way. Our brochure is another way. We just sent a newsletter out to over 4,000 people telling them about our network, so we are doing the best we can with the money that we have.

Senator BUMPERS. How about the AIDC, would they not help us get the word out?

Dr. BRADLEY. We are working with the AIDC. We are also working with the Arkansas Science and Technology Authority. In fact, we are getting ready to put a lot of Arkansas Science and Technology Authority information on the network. We are working with a lot of people.

We are working with the Good Faith Fund. We are setting up our second annual training conference this summer in Little Rock at which you spoke last year. This year, that conference is going to zero in on EDI for small business, because the Federal Government in their infinite wisdom is now having all people that want to get Government contracts to submit them by EDI.

There is only one problem. There are a lot of small businesses out there that do not know how to use EDI. We are going to work real hard at our August meeting to train small businesses in how to use EDI in obtaining Government contracts. If the Federal law does go into effect October 1, we have a lot of small business people who will not be able to get Government contracts because they will not know how to get onto the computer. That is just one area where we can help.

Senator BUMPERS. Well, gentlemen, you have all spoken extremely well this afternoon, and I appreciate it. It has been instructive and informative, and I thank you. I know some of you have come long distances, and we appreciate that very much.

We will stand in recess subject to the call of the Chair.

[Whereupon, at 4:53 p.m., the Committee adjourned.]



# ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

## THE SMALL BUSINESS INSTITUTE OF THE U.S. SMALL BUSINESS ADMINISTRATION

### Answers to Questions from the Senate Small Business Committee

Dr. Robert A. Kemp, C.P.M.  
Drake University, Des Moines, Iowa  
Immediate Past President, SBIDA  
April 18, 1994

#### **Question 1. Could Small Business Development Centers (SBDCs), which often operate in conjunction with universities, continue the services of SBIs?**

No! The essential reason for this direct answer is that the mission of the Small Business Institute is different from the mission of the SBDC. The mission of the Small Business Institute is to provide entrepreneurial education, strengthen the small business sector of the free enterprise system, enhance the small business environment, and support economic development through small business teaching, consultation, and research with small businesses and communities by college and university students under faculty supervision. The SBDCs are primarily short-term counseling efforts provided by paid, professional consultants.

SBI is unique among the three SBA field resources in that all SBI projects are all long-term, in-depth, comprehensive analyses of the client companies. SBI projects are generally over 12 to 16 weeks. The SBDC projects are generally short-term and oriented to a specific problem. SBDC projects are generally limited to a few hours. The concept of a long-term SBI project is not in keeping with the short-term project philosophy of the SBDCs.

SBI is not a duplicative effort of SBDC and SCORE. SBI is located in many places where the SBDC and SCORE programs are not available. Most of the 550 SBI programs are not located near an SBDC. SBA statistics show that only 117 of the 550 SBI programs (21 percent) are co-located with a SBDC. Hence, efforts to collapse the SBI into SBDCs would leave 433 communities and schools without this important SBA contact. The SBI is more, much more, than just counseling. SBI spends, on the average, more than twenty times the effort of the average SBDC project with the client. Our previous testimony to the Committee shows that the average SBI case project is about 200 hours of student time.

SBA testimony to the Committee showed that only 117 of the SBDCs and SBIs are co-located. Even though 117 SBDCs are co-located with SBI, this does not mean that the SBDC is an academic unit at the college or university. Most directors of SBDCs have no academic standing whereas most SBI Directors are academicians and have faculty standing. The SBI at most schools is considered part of the academic program. The SBA Directives for establishing the SBI demand that the SBI Directors are members of the faculty. Without faculty status, access to the classes and students is significantly limited.

SBI uses student teams of senior level or graduate business students, under faculty supervision, to accomplish in-depth consulting projects that analyze the company and its specific problems. If the client purchased this volunteer faculty consulting time that supports the student teams, it would cost the client over a \$100.00 hour. The student teams create and present to the managers of selected small firms a set of recommended strategies or operational techniques to resolve the specific business problems. At most schools the SBDC Director would have little contact with students.

Question One  
Dr. Robert A. Kemp  
For the SBI

SBI has more human resources available through the universities at no additional cost. These human resources include the total university faculty and administrative assistance and support.

Everyone will help the SBI team. Particularly, this is true in our many smaller schools where most people know and understand how important the SBI program is to the students, the clients and the community.

SBI exposes the students to entrepreneurship as a career alternative and by involving them SBI helps develop better future small business owners. SBI has great physical resources available through the universities and colleges at no additional costs. For example, these include access to faculty other than SBI directors for consulting, the libraries, computer labs, and other equipment.



**Question 2. Could universities where SBIs operate pick up the program and continue it themselves?**

No. And more importantly why should they? The Small Business Institute Program from the SBA has provided SBI program guidance, procedures, and coordination for over 20 years. How could over 550 schools, in the fifty states, coordinate this program in the field with no national guidance? Who would take the lead? The SBI program provides the student team and the school legal status as an agent of the SBA to provide sound, consistent and in-depth confidential consulting service to a client on a contract basis. It is important to understand that Grant Sponsorship by the SBA through the Federal budget provides valuable stature and recognition for the national SBI program. Without the SBI program from SBA, we have no such status.

It is true that professors on their own across the country could work with small businesses and many who are not part of the SBI do projects with businesses. But these projects have no national standards. Similarly, there is no inherent consistency from class to class, much less from school to school, or state to state. These ad hoc programs are designed and maintained by individual professors across the country to meet their class needs—not the needs of clients. Those clients have no national assurance of program quality, and more importantly they have no assurance of confidentiality concerning their information. SBI clients are assured of both these important facts.

Through a private professional association of the SBI Directors called the Small Business Institute Directors' Association we provide tremendous opportunities for SBI directors, such as:

**Conferences** at the regional and national level with presentations to improve small business management, program consulting processes, and program quality.

**Publications** that extend the research and knowledge of small business. The *Momentum* is our quarterly newsletter for members and others interested in our program. The bi-annual *Journal of Small Business Strategy* translates research into applicable processes for educators and small business managers. The quarterly *Journal of Small Business Management* provides an outlet for sophisticated research concerning many small business and international operations. Our annual conference *Proceedings* provides a wealth of ideas for small business consultants (students and faculty) and owners.

**Coordination of the SBI program policies and procedures nationally** with the personnel of the SBA that are responsible for the SBI program. We can cut across the politics of regions and the bureaucracy to facilitate problem solving activity and coordination.

**Advocacy** by the officers and selected members keeps Congress and other national leaders informed of critical activities and the needs of small business. Advocacy helps us guide the continuing improvement of the SBI program through our partnership with the SBA and the Congress.

**Recognition** is provided for our members, students and others through several annual regional and national programs.

From an equally practical approach, why should the schools across the country be responsible for this very practical and extremely cost beneficial program for the nation's small businesses, if the SBA will not? If the government is not willing to stand behind the SBI program why should schools risk 1,250,000 hours of faculty-guided student-led counseling by more than 12,500 students—tomorrow's leaders—who without the SBI status could be at legal risk for their work and advice?

Question Two  
Dr. Robert A. Kemp  
For the SBI

If the government is not willing to stand behind the SBI program why should 550 schools risk in-kind support of approximately \$5 million per year to a program that might place the school itself at legal risk?

If the government is not willing to stand behind the SBI program why should SBI Director/faculty members across the country place themselves at risk leading students in this type of work?

We have shown that the SBI program leverages its **\$3 Million** Federal budget by a **factor of 23.3** to approximately **\$70 million annually**. As shown here:

Faculty guided student consulting	50,000,000.00
School in-kind support	5,000,000.00
Free faculty consulting in support of their SBI teams	<u>15,000,000.00</u>
TOTAL \$70,000,000.00	

We think the Federal Government and the SBA in particular would not only want to keep the SBI program, but indeed in recognition of its spectacular contributions would also want to increase its size and scope. Even though the SBA Administrator has recommended to the Congress that the SBI program be abolished, we have established plans for the years to come, and we are hopeful that the Congress will perpetuate the SBI program.

We believe that our program of entrepreneurial education, assistance to the small business sector of the free enterprise system, and support for economic development through small business teaching, consultation, and research with small businesses and communities by college and university students under faculty supervision across the country and particularly in the rural areas supports the objectives of the Clinton Administration. Therefore, we have recommended these actions and we reaffirm our support for these actions.

1. **Maintain the SBI program as a separate budget line item in the SBA budget and increase our case budget from 6000 to 7000 cases for the Fiscal Year 1995.**
2. **Provide a sum of \$300,000.00 to initiate additional training opportunities for very small businesses at local levels.**
3. **Increase in the price of a SBI case from \$500.00 to \$600.00.**
4. **Maintain the Small Business Advancement National Center (SBANC) to support the SBI program, other faculty research and the consulting teams.**
5. **Instruct the SBA Administrator to initiate discussions with SBIDA concerning self governance for the SBI program similar to the SCORE program and report back to the Congress on progress.**

My previous testimony to the committee included full support for these recommendations.

Small Business Advancement National Center

## RESPONSE FOR SENATOR PRESSLER

The Small Business Advancement National Center in cosponsorship with the Small Business Administration has created the Small Business National Training Network. The community colleges and organizations participating in the program develop the training to be presented according to the needs of their community. Training is also conducted to improve the workforce being utilized by the businesses in the local area. This network has been extremely successful with American Indians and Alaskan Eskimos.

The training received by American Indians and Alaskan Eskimos was developed to improve the economic conditions on reservations and in their communities. Participants were trained in the following aspects of business: planning, bookkeeping, management, marketing, and financing. All these programs have helped create a better economic environment in rural America.

We have been able to train people who would not have normally been trained by the regular avenues of the SBA. This program is a nonduplicative program. No other SBA program has ever reached the groups of people that are presently being served by the Small Business National Training Network. The Small Business Advancement National Center is truly proud to have as one of its vital parts such an outstanding training program.

In the following pages, you will find examples of how this training network is helping the American Indian and Alaskan Eskimo population. The key to the success of this program is that we have let each group design their own program to meet their own needs. Thus, we have only had to provide technical support.

Written Responses to Questions  
Directed at Mr. Higgins

Senator Pressler:

Question

In your testimony, you mentioned that your organization would like to see three "technical changes in the legislation." Could you please explain more specifically how these changes would benefit SBDCs?

Response

Section 5 of the current authorizing legislation states

"... no recipient of funds shall receive a grant which would exceed its pro rata share of a \$70,000,000 program based upon the population..." This language has been interpreted by SBA to mean that regardless of the source of federal funds, if those funds pass through the SBA they are subject to the limitation in the above language. So, for example, if funding was made available through another agency for the SBDCs to participate in an empowerment zone, those funds could not be passed through the SBA to an SBDC which had reached its funding cap.

To make it absolutely clear that sort of interpretation is not correct, language limiting the funding available to SBDCs should be amended to state **explicitly** the limitation applies only to funds appropriated under that authorizing legislation. This change would permit the SBDCs to utilize their networks to assist other federal agencies to bring information and educational assistance to the small business community.

The second technical change has to do with the on-site review process established in the Small Business Development Center Improvement Act of 1984. Under the statute, these reviews are to be conducted every two years and require the participation of both SBA and SBDC personnel in the reviews.

There are two primary weaknesses with the on-site review process. First, there is no mechanism to require follow-up on recommendations made. Second, since the review is not an audit and because the teams do not have audit backgrounds, the financial and contract management dimensions of SBDC operations are only superficially examined.

To strengthen the system by which SBDCs are reviewed, we recommend deleting the on-site review process and substituting two separate processes. All SBDCs should be subject to the ASBDC certification process. This program is a peer review process examining program management, quality control, program impact and institution building issues. The results of these certification reviews should be provided to the SBA, and the Agency should be required to consider the recommendations of the certification report in determining continuation of funding for SBDCs.

The second process SBDCs should undergo is the SBA's examiner process which evaluates the programs in terms of compliance with OMB Circulars relative to the financial management of the centers



and evaluates the centers in terms of compliance with provisions of the cooperative agreement.

By replacing the on-site review with the ASBDC certification and the SBA examiner processes, the two weaknesses - absence of follow-up and the weakness of financial reviews - will be addressed and will enhance the SBDCs' ability to continue to improve the operation of their programs.

The third technical change concerns the relationship of the Clearinghouse for the SBDC program. While it is appropriate and even essential that the Clearinghouse be operated by an SBDC, and we believe that the New York SBDC is doing a commendable job of operating the Clearinghouse, we want to move toward the Association of Small Business Development Centers playing a greater role in the future of the program.

The National SBDC Information Clearinghouse, known since October 1992 as the SBDC Research Network, welcomes the input of the ASBDC in identifying the needs of the Association and assisting in the solicitation of member participation. The Clearinghouse serves as the central informational node within the SBDC network, and acts as a depository and distribution center for SBDCs and SBA. The Clearinghouse is contractually obliged to provide services to all SBDCs, regardless of their membership in the ASBDC.

In the current agreement, the New York SBDC (host location of the Clearinghouse) has sought to increase the involvement of the Association by developing and supporting ongoing liaison function. This relationship should facilitate the identification, of important information among SBDCs, the SBA, and Congress.

While this enhancement was accomplished without the need for Congressional authorization, we would suggest that SBA be authorized to include the ASBDC in the future evaluation and selection process for Clearinghouse operations. Although we anticipate, absent a failure to perform, that the Clearinghouse function would continue in New York, we seek a full partnership with SBA in the Clearinghouse process.

Senator Pressler

Question

As you know from my opening statement, I am quite concerned with how SBDCs will absorb extraneous costs associated with fee collection. I know that South Dakota's SBDC staff and operational expense funds already are strained. This additional administrative burden would probably result in diluted counseling services. Have various SBDCs given you an indication as to how they would cope with this problem? Will most be able to afford additional staff or bookkeeping purposes?

Response

Several SBDCs have expressed their concerns relative to the costs associated with the collection of fees. Many SBDCs are at cap in terms of the federal dollars they can receive. Since the proposed fees are to be collected and returned to the federal agency, it is highly unlikely non-federal funding partners are going to increase their contributions to enable the SBDC to cover the cost of collecting these fees. In that context, the centers will have to reallocate staff time to handle billing, collection, and accounting for fees. This will obviously reduce the amount of time that can be spent on consulting and training of clients.

One director estimated that, at best, 40 percent of the funds would remain after the collection, accounting, and funds transfer processes are paid. In that light, this proposal will not accomplish what the SBA intends - that is to use the SBDC as a cash cow to support other SBA initiatives.

In fact, quite the contrary will occur as:

- the level of SBDC assistance will be diminished;

- the relationship with consulting clients will be changed from an educational one to fee-for-service;
- the SBDCs will be placed in competition with the private sector we are supposed to be assisting; and
- non-federal partners consider withdrawing their support.

"Can SBDCs afford the additional staff?" The SBDCs cannot afford the staff, nor can this program, which for the last 14 years has struggled to build its record of accomplishment, afford all the negative reactions which will result from introduction of a fee-for-consulting policy.

Senator Conrad Burns

Question

Does your organization have any suggestions for amending the SBDC law to address the problem of states like Montana; e.g., large geographic size and small populations?

Response

The ASBDC feels that the formula for funding states is basically sound. The formula provides for a funding floor of \$100,000 per state, plus a state's share of the program funding authorization - currently \$70,000,000 - with no state receiving less than \$200,000.

The heart of the formula - distributing federal funds based on a state's percentage of population assures Congress that SBDC program services are in line with small business population needs.

States like Montana, however, are adversely affected by the formula's emphasis on population combined with a \$200,000 minimum. They are trapped between a population percentage and/or the current minimum (\$200,000) too small to support a statewide effort. The fifteen state programs currently impacted report that a minimum of \$500,000 is necessary to operate a statewide SBDC program.

To address this problem, the ASBDC recommends two changes to the present formula:

1. Increase the state minimum as part of the existing formula from the current level of \$200,000 to \$500,000 with the increase to be phased in over a three year period;



2. Increase the SBDC current program authorization of \$70,000,000 by 15% per year over a six year period to \$150,000,000.

The Montana SBDC program benefits from both changes. It is guaranteed a higher minimum of \$500,000 and also gains as a result of its share of the increased authorized beginning in the fourth year.

In addition to resolving the problem faced by states like Montana, the proposed changes to minimum program funding levels and increased program authorization significantly strengthen SBDC programs in each state. States who have been at their population CAP for the past several years will be able to reverse the current trend of resource compression and expand SBDC services to areas, primarily central urban areas and remote rural areas, currently not served or underserved.

STATE	CURRENT CAP	PROJECTED CAP		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
ALABAMA	\$1,224,012	\$2,508,598		\$1,224,012	\$1,407,614	\$1,618,756	\$1,861,570	\$2,140,805
ALASKA	252,709	500,000		300,000	\$400,000	\$500,000	\$500,000	\$500,000
ARIZONA	1,117,504	2,280,365		1,117,504	\$1,285,129	\$1,477,899	\$1,699,584	\$1,954,521
ARKANSAS	753,438	1,500,224		753,438	\$866,453	\$996,421	\$1,145,885	\$1,317,767
CALIFORNIA	8,354,838	17,788,939		8,354,838	\$9,608,064	\$11,049,274	\$12,706,665	\$14,612,664
COLORADO	1,015,145	2,061,025		1,015,145	\$1,167,417	\$1,342,529	\$1,543,908	\$1,775,495
CONNECTICUT	1,011,825	2,053,911		1,011,825	\$1,163,599	\$1,338,139	\$1,538,859	\$1,769,688
DELAWARE	285,076	500,000		300,000	\$400,000	\$500,000	\$500,000	\$500,000
DISTRICT OF COLUMBIA	268,754	500,000		300,000	\$400,000	\$500,000	\$500,000	\$500,000
FLORIDA	3,697,227	7,808,344		3,697,227	\$4,251,811	\$4,889,583	\$5,623,020	\$6,466,474
GEORGIA	1,900,412	3,958,025		1,900,412	\$2,185,474	\$2,513,295	\$2,890,289	\$3,323,832
HAWAII	408,460	760,986		408,460	\$469,729	\$540,189	\$621,217	\$714,399
IDAHO	379,966	699,926		379,966	\$436,961	\$502,505	\$577,880	\$664,562
ILLINOIS	3,272,299	6,897,784		3,272,299	\$3,763,144	\$4,327,615	\$4,976,758	\$5,723,271
INDIANA	1,639,258	3,398,410		1,639,258	\$1,885,147	\$2,167,919	\$2,493,107	\$2,867,073
IOWA	871,012	1,752,169		871,012	\$1,001,664	\$1,151,914	\$1,324,701	\$1,523,406
KANSAS	787,742	1,573,732		787,742	\$905,903	\$1,041,789	\$1,198,057	\$1,377,765
KENTUCKY	1,123,313	2,292,814		1,123,313	\$1,291,810	\$1,485,582	\$1,708,419	\$1,964,682
LOUISIANA	1,272,426	2,612,340		1,272,426	\$1,463,289	\$1,682,783	\$1,935,200	\$2,225,480
MAINE	441,104	830,938		441,104	\$507,270	\$583,361	\$670,865	\$771,494
MARYLAND	1,427,624	2,944,908		1,427,624	\$1,641,767	\$1,888,033	\$2,171,237	\$2,496,923
MASSACHUSETTS	1,767,898	3,674,068		1,767,898	\$2,033,083	\$2,338,046	\$2,688,752	\$3,092,065
MICHIGAN	2,680,830	5,630,350		2,680,830	\$3,082,955	\$3,545,398	\$4,077,207	\$4,688,788
MINNESOTA	1,313,646	2,700,669		1,313,646	\$1,510,693	\$1,737,297	\$1,997,891	\$2,297,575
MISSISSIPPI	815,406	1,633,014		815,406	\$937,717	\$1,078,375	\$1,240,131	\$1,426,151
MISSOURI	1,521,407	3,145,872		1,521,407	\$1,749,618	\$2,012,061	\$2,313,870	\$2,660,950
MONTANA	322,423	576,621		322,423	\$400,000	\$500,000	\$575,000	\$576,621
NEBRASKA	538,484	1,039,608		538,484	\$619,256	\$712,145	\$818,967	\$941,812
NEVADA	433,635	814,932		433,635	\$498,680	\$573,482	\$659,505	\$758,430
NEW HAMPSHIRE	408,184	760,393		408,184	\$469,411	\$539,823	\$620,796	\$713,916
NEW JERSEY	2,243,729	4,693,706		2,243,729	\$2,580,289	\$2,967,332	\$3,412,432	\$3,924,297
NEW MEXICO	521,055	1,002,261		521,055	\$599,213	\$689,095	\$792,460	\$911,329
NEW YORK	5,092,076	10,797,306		5,092,076	\$5,855,887	\$6,734,271	\$7,744,411	\$8,906,073
NORTH CAROLINA	1,941,909	4,046,947		1,941,909	\$2,233,195	\$2,568,174	\$2,953,400	\$3,396,410
NORTH DAKOTA	277,330	500,000		300,000	\$400,000	\$500,000	\$500,000	\$500,000
OHIO	3,111,844	6,553,952		3,111,844	\$3,578,621	\$4,115,414	\$4,732,726	\$5,442,635
OKLAHOMA	973,648	1,972,103		973,648	\$1,119,695	\$1,287,649	\$1,480,797	\$1,702,916
OREGON	889,548	1,791,888		889,548	\$1,022,980	\$1,176,427	\$1,352,891	\$1,555,824
PENNSYLVANIA	3,399,003	7,169,292		3,399,003	\$3,908,853	\$4,495,181	\$5,169,459	\$5,944,877
PUERTO RICO	1,010,442	2,050,947		1,010,442	\$1,162,008	\$1,336,309	\$1,536,756	\$1,767,269
RHODE ISLAND	378,306	696,370		378,306	\$435,052	\$500,309	\$575,356	\$661,659
SOUTH CAROLINA	1,069,921	2,178,401		1,069,921	\$1,230,409	\$1,414,970	\$1,627,216	\$1,871,298
SOUTH DAKOTA	293,652	514,969		300,000	\$400,000	\$500,000	\$514,969	\$514,969
TENNESSEE	1,454,735	3,003,004		1,454,735	\$1,672,945	\$1,923,887	\$2,212,470	\$2,544,341
TEXAS	4,819,580	10,213,385		4,819,580	\$5,542,517	\$6,373,894	\$7,329,978	\$8,429,475
UTAH	578,044	1,124,380		578,044	\$664,751	\$764,463	\$879,133	\$1,011,003
VERMONT	256,305	500,000		300,000	\$400,000	\$500,000	\$500,000	\$500,000
VIRGINIA	1,819,908	3,785,517		1,819,908	\$2,092,894	\$2,406,828	\$2,767,852	\$3,183,030
VIRGIN ISLANDS	200,000	500,000		300,000	\$400,000	\$500,000	\$500,000	\$500,000
WASHINGTON	1,452,245	2,997,669		1,452,245	\$1,670,082	\$1,920,595	\$2,208,684	\$2,539,986
WEST VIRGINIA	598,516	1,168,249		598,516	\$688,293	\$791,537	\$910,268	\$1,046,808
WISCONSIN	1,457,502	3,008,932		1,457,502	\$1,676,127	\$1,927,546	\$2,216,678	\$2,549,179
WYOMING	226,151	500,000		300,000	\$400,000	\$500,000	\$500,000	\$500,000
TOTALS	\$75,371,505	\$155,968,245	COST	\$75,711,529	\$87,537,472	\$101,028,092	\$115,597,275	\$132,249,992
FUNDING LEVEL	\$70,000,000	\$150,000,000	FLOOR	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
FLOOR		\$100,000	MINIMUM	\$300,000	\$400,000	\$500,000	\$500,000	\$500,000
MINIMUM		\$500,000	GROWTH	15%	15%	15%	15%	15%

# SCORE<sup>®</sup>

Sponsored by the U.S. Small Business Administration

Service Corps of Retired Executives Association

*"We volunteer our expertise to  
cultivate America's economic growth"*

---

National SCORE Office, 409 3rd Street, S.W., Washington, D.C. 20024-3212

April 8, 1994

Ms. Laura Lecky, Hearing Clerk  
Small Business Committee  
SR428A, U.S. Senate  
Washington DC 20510

Dear Ms. Lecky:

My responses to Senator Pressler's questions are as follows:

Thank you for your gracious comments about the Service Corps of Retired Executives Association (SCORE). I appreciate your questions and interest in our organization. The following responses are offered in the order in which they were asked.

1. *The administration's Fiscal Year 1995 funding request for the SCORE program is down 14 percent, or \$418,000, while the number of business people counseled by SCORE has risen steadily over the last several years. What will this funding decrease mean for SCORE volunteers nationwide?*

The increased demand for SCORE's services to the small business sector of the economy will present difficult problems should our budget be cut by \$418,000 or 14%. That dollar amount represents the cost of 149,000 volunteer hours assuming our average cost per hour of \$2.80.

Our relationship with the Small Business Administration (SBA) requires us to participate in its primary initiatives, including the existing and proposed Business Information Centers, One Stop Capital Shops, and U.S. Export Assistance Centers. All inclusive, there are 32 sites that are either now operating or proposed for the near future. We estimate the cost of our participation at \$13,000 to \$15,000 per year per site. That money will have to come from other activities now undertaken by SCORE.

The training of SCORE counselors also must continue. When Congress appropriated \$3.5 million for SCORE in fiscal year 1994, it directed that \$500,000 be spent on enhanced training. That funding allowed SCORE to complete the development of the first six modules of the Counselor Professional Development Program and begin its introduction to SCORE members. While this is a major portion of the training of SCORE counselors,

we must do more. With approximately 20% turnover per year in our counseling cadre, training is on-going and very necessary.

The impact of a decrease in funding will be felt primarily in our smaller chapters located in less populated, more rural areas. Smaller chapters may be merged with other chapters or closed. Chapter expansion and creation will be curtailed in all areas. Funds for clerical support will, of necessity, be further reduced.

2. *SCORE volunteers in my home state of South Dakota tell me they receive little clerical support. They often must look for volunteer secretaries and even pay for some office expenses out of their own pockets. Do you hear of problems such as these from other SCORE volunteers around the country?*

Clerical support is a problem for SCORE chapters nationwide. Clerical dollars are used by chapters to hire temporary employees to answer telephones, type or complete reports or correspondence, and provide other types of office support. This is an important and necessary support function.

Each year SCORE allocates its budget between the National SCORE Office in Washington and its ten regions. The director of each region is provided with funds based on the geographic area, population, number of SCORE counselors, workshops and client contact within the region. These directors then allocate those funds to the district and sometimes to the chapter levels to cover the cost of operating, including reimbursement of SCORE volunteers for out-of-pocket expenses related to counseling, and for clerical assistance.

Given SCORE's total budget of \$3.5 million and the demands of 388 chapters and almost 400 branches, the National SCORE Office and the SCORE Board of Directors have encouraged chapters to reduce the amount of clerical funds spent and to rely on SCORE volunteers to provide clerical support. The dollars saved are then used for reimbursement of the counselors' out-of-pocket expenses.

3. *SCORE chapters receive no funding for advertising and marketing. How do business owners in need of help find out about the services available through SCORE?*

Business owners in need of assistance find out about SCORE and other SBA resources in a variety of ways. Most of SCORE's clients come from referrals by SBA, chambers of commerce, local service organizations or community colleges. At the chapter level SCORE counselors network throughout their community. SCORE is often listed in the "blue pages" in the front of a local telephone book or along with the SBA's listing. Chapters work diligently with

local media to arrange for public service announcements or other no-cost promotion opportunities. Also the National SCORE Office prepares and releases numerous articles on SCORE, copies of which are available to you for your examination.

4. *Would it be feasible to fund the SCORE program based on productivity--for example, on the volume of the clients counseled?*

Basing the funding for SCORE on productivity would raise some of the following difficult issues:

SCORE had, at the close of fiscal year 1993, nearly 13,000 volunteer members. They bring to SCORE a host of differing backgrounds and skills. Some of those skills are more in demand at certain times than others. For instance, when SCORE people are asked in to help ease the pain of a major plant closing, it calls for different skills than when SCORE is needed for youngsters, recently out of high school, who are looking to get established in business.

Funding based on the number of clients counseled would not provide for a number of important efforts we now undertake or those that we would attempt in the future. For instance, Congress has directed that \$500,000 in the FY1994 budget be allocated to enhanced training for our volunteer counselors. That would not add to the number of clients counseled. Similarly, SCORE's program to increase on-site evaluation of counseling activity would not add to numbers of clients.

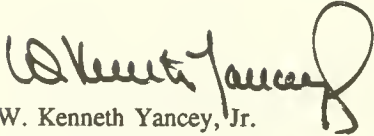
Counting clients would emphasize numbers as opposed to the effectiveness of the counseling. For instances, some of the most valuable SCORE volunteer functions involve follow-ups. Frequently a counselor advises a new client, then periodically gives him or her advice as the business gets going, and often follows up to the satisfying point when the business is established and no longer needs counseling. If the budget would be determined on numbers of clients, a counselor might have the incentive to abandon that kind of work for one that would bring in more numbers.

There would also be an incentive to shorten the time spent with each client. Some clients, because of their own limited backgrounds or because of the complexity of the business they are entering, take much more of a counselor's time at each session than do others. If the emphasis would shift to numbers, a counselor might shorten each session to increase his or her "quota".



Funds appropriated for SCORE are re-allocated to the chapters. Certain chapters are busier than others at any one time (such as following a military downsizing). If funds were provided on a basis determined by numbers of clients counseled in a prior year, it would tend to "short change" chapters, which did not happen to have high client numbers in the year just past.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. Kenneth Yancey, Jr.", with a large, stylized loop at the end.

W. Kenneth Yancey, Jr.  
Executive Director



## UNIVERSITY OF MAINE

Office of the Graduate Program  
College of Business Administration

10:43 AM MAR 22 1994  
Donald P Corbett Hall  
Orono, Maine 04469-5723  
207/581-1973  
FAX 207/581-1930

March 17, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, DC 20510

Dear Senator Bumpers:

I just received some very discouraging information. It is my understanding that the Administrator of the Small Business Administration, Erskine Bowles, has proposed the elimination of the Small Business Insitute (SBI). I would like to think the SBI program, which matches students with small business owners is not in the same league as the Tree Planting program referred to by Mr. Bowles in his statement of February 24th. I must admit, however, there is one similarity. Educators are planting ideas in the minds of college students in the one area where this country shines, small business.

The \$500.00 institutions received for each case in which students work with small business is a marginal cost compared to the time spent by both students and faculty and the benefits received by all parties.

I urge you to support the reinstatement of the SBI program funding. At a time when colleges and universities are moving towards programs in entrepreneurship is not the time for the federal government to reduce its support of such a key program.

Sincerely,

Roderick A. Forsgren  
Professor of Management and  
Director, SBI Program

RF/cd

THE LAND GRANT UNIVERSITY AND SEA GRANT COLLEGE OF MAINE



Printed on Recycled Paper

8011



Department of Management and Marketing  
Pittsburg, Kansas 66762 • 316/235-4588 • FAX 316/232-7515

March 16, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, DC 20501

Dear Senator Bumpers:

The SBI program is the most cost effective program that exists in the small business area. To kill it is unthinkable. It is an affront to and shows disdain toward 1000's of male and female entrepreneurs, minority business owners, female business owners and others who desperately need free business advice in the form supplied by the SBI teams and their leaders.

This program provides a great training aid to the development of entrepreneurs. The college team members who work on SBI cases often decide to choose entrepreneurial goals for themselves - what better way to build a strong America.

It is wrong to believe that the SBDC substantially replaces SBI. It definitely omits several of the most important aspects - including the development of well trained college educated entrepreneurs with some hands on practical experience.

Please save the SBI program.

Sincerely,

Dr. Henry L. Crouch, Chairman  
Department of Management and Marketing

Dr. Terry L. Mendenhall,  
Dean Kelce School of Business

Mr. Tom Payne, Director of Students in Free Enterprise  
Department of Management and Marketing



NEBRASKA BUSINESS DEVELOPMENT CENTER

UNK  
Welch Hall  
19th & University Dr.  
Kearney, NE  
68849-3035  
308-234-8344  
Fax 308-234-8153

March 17, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, DC 20510

Dear Senator Bumpers

It was with dismay I read that SBA Administrator Erskine Bowles had recommended the dissolution of the Small Business Institute (SBI) program for Fiscal Year 1995. There seems to be a belief there is a duplication between this program and the Small Business Development Centers (SBDC). This is not true. I am Assistant Director at a Small Business Development Center at the University of Nebraska at Kearney. Our center also administers the SBI program. The two are entirely separate; they complement, but do not duplicate the work of each other.

SBDC's work with small business clients in a one-on-one situation. We assist the client in analyzing the business, assessing the situation, and addressing problems. We also act as "information brokers" to link the client to the resources needed for further help. Some clients may need only an hour or two of our time while others may require more in-depth counseling. Our office sees 350 to 400 business clients a year. To effectively service all these clients we must budget our time.

The SBI program links University professors and students with small business clients. Students work under faculty supervision for a semester as consultants to the business client for college credit. They may put together a complete business plan, create an entire marketing plan, do in-depth financial analysis, or complete a market survey involving primary and secondary research. Any one of these case reports could take hundreds of hours. The client gets valuable information he could not afford to pay for and the students get the opportunity to apply "real world" experience to text-book theory. It is a "win-win" situation.

More than 125,000 small businesses have been helped nationally since 1972. The program which costs approximately \$3 million annually gives small businesses support which would cost \$40 per hour at private consultant rates. The program has expanded many small businesses into international trade, helped develop rural and urban areas, increased the number of women, minorities, and veterans operating successfully, and increased the effectiveness and efficiency of small business. Although SBDC's and SBI both work with small business the programs do not overlap. Many of the small businesses who need a great deal of in-depth help are recommended to the SBI program. It has been recommended the SBDC's pick up the work done by the SBI program without additional funding. With budgets already tightly constrained, the SBDCs cannot afford to do this.

I would be happy to answer any questions you might have about the two programs and about how they are administered at our University. I do believe the SBI's and SBDC's truly give back to the government far more than they cost and are worthwhile programs.

Sincerely,

Lois Thom  
Asst. Director





1893 • CENTENNIAL • 1993

March 16, 1994

**College of Business**

408 Reid Hall  
Montana State University  
Bozeman, MT 59717-0304

Telephone 406-994-4421  
FAX 406-994-6206

The Honorable Dale Bumpers  
United States Senate  
Washington, D.C. 20510

Dear Senator Bumpers:

The demise of the Small Business Institute (SBI) program is planned for September 30, 1994. The Administrator of the Small Business Administration (SBA), Erskine Bowles, has requested that Congress kill the SBI program at the end of the 1994 fiscal year. I am writing to you in your position as a member of the Senate Small Business Committee and the Senate Appropriations Committee to request your support for the SBI Program as a separate budget item within the SBA budget for fiscal year 1995 and continuing. The SBI program has many unique attributes and fulfills a need throughout the U.S.

In my position as a Montana State University (MSU) College of Business faculty member I serve as the SBI director and supervise all MSU student cases. We are contracted to consult with 25 small businesses per year, but like many other institutions we often conduct more cases than specified in our contract. The need for small business consulting is acute, and this need is particularly visible in Montana where the vast majority of businesses are small. Many of our students plan to open their own businesses, and their experience analyzing a local business helps them hone their skills toward this end. The experience helps the students avoid many of the pitfalls entrepreneurs encounter as well as helping the students work through typical problems faced by a small business. By the time the project is completed the students feel they have not only been through a real educational experience but have also provided a significant service to an actual business.

The clients assisted by the student teams also feel they have been well served. Following the presentation of the findings and recommendations, the clients almost invariably say they received much more than they expected regarding analysis, interpretation, and useful recommendations. Many clients make significant business decisions based on the results of the SBI projects.

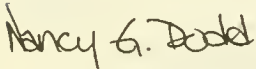


March 16, 1994  
Page Two

The service provided by SBI programs is distinct from that provided by SCORE or SBDC programs. Small Business Institute programs provide intensive individualized service to small business owners, doing everything from feasibility studies to business plans to marketing research to financial analysis. This assistance comes at a bargain price for everyone concerned. In the SBA Helena District Office Fiscal Year 1993 Annual Report it was reported that SBI programs in Montana provided 15,084 counseling hours and SBDC programs provided 35,066 hours. The SBDC counseling was provided at \$9.12/hour and the SBI counseling was provided at \$3.28/hour.

As Director of the program which has won the National Undergraduate Case of the Year Award for the past two years (1992 and 1993) I believe the SBI program serves an important purpose in Montana and throughout the country. I encourage you to resist the elimination of funding for this program in order to continue to serve present and potential small business owners as well as the students who will be running those companies in the future.

Sincerely,



Nancy G. Dodd, Ph.D.  
SBI Director and Assistant Professor of Human Resources

csk



Department of Management and Economics  
 EASTERN MONTANA COLLEGE  
 1500 North 30th Street  
 Billings, Montana 59101-0298  
 (406) 657-2212  
 FAX (406) 657-2327

March 16, 1994

**Senate Small Business Committee Members**

Dear Senator:

First, I wish to thank you for providing access to your office by making your FAX number available for comment.

We at Eastern Montana College are extremely concerned with the February 24 announcement that Erskine Bowles plans to recommend elimination of all funding for the Small Business Institute Program (SBI) at the end of this fiscal year. Eliminating the SBI Program would cause a significant loss of assistance to hundreds of struggling businesses each year in order to save a modest \$3 million per year.

**The SBI program**

- Provides free consulting and other assistance to qualified businesses.
- Works with client businesses for an entire academic term.
- Uses senior-level business students guided by a professor.
- Creates new entrepreneurs from students exposed to small business.
- Links students' studies to actual business situations.
- Is a program with **tangible, measurable deliverables**.
- Does not duplicate any other federal program.
- Provides \$4000 or more of consulting for only \$500 per SBI case.
- Helps businesses **create jobs, pay taxes, and add to our Gross National Product**

From 1988 to 1990, **small businesses created all of the net jobs** in the economy. Most of that growth occurred in firms of fewer than 20 employees. Those are the clients of the SBI Program. Why not continue a wonderful program that has such a multiplier effect on the economy? We at Eastern Montana College encourage you to support continued funding for the Small Business Institute Program.

Sincerely,

William M. Metheny, Ph.D.

*Frehn Center for Management*

*John L. Grove  
College of Business*



March 16, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, D.C. 20510

Dear Senator Bumpers:

I am writing regarding the proposed Small Business Administration (SBA) budget, specifically the Small Business Institute Program (SBI).

I have run the program here at Shippensburg University for 10 years. In that time we have conducted an average of 20 cases per year in the program. We receive funding for 10 cases from the SBA.

As a fiscal conservative, personally I can say this is one of the few (perhaps the only) government program I have ever experienced where the government (federal, state, or local) actually gets it monies worth.

We do federal work, state work, and corporate work here. The SBI Program is far and away the most cost effective. If the current administration is serious about jobs and job training - keep this program. For \$500 we are exposing at least 5 persons, 4 students, and a client, to entrepreneurship, the fastest growing sector of the economy.

We are not an Small Business Development Center, in fact the whole program here at Shippensburg is subsidized with my time to the tune of approximately \$12,000.

I urge you to keep the SBI because (1) it is valuable, program wise and (2) it is cost effective.

Sincerely,

David A. Yingling  
Frehn Center for Management

Shippensburg, PA 17257 717-532-1430 FAX 717-530-4003  
A member of Pennsylvania's State System of Higher Education



College of Business  
Tallahassee, FL 32306-1042

March 10, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, D. C. 20510

Senator Bumpers:

While Congress deliberates on the FY 1995 budget, there are many programs that are being targeted for either reductions or complete elimination. Some of these targeted programs should not be reduced or eliminated, and I want to talk about one in particular: the Small Business Institute (SBI) program in the U.S. Small Business Administration. Recently, Administrator Erskine Bowles presented his recommendations for the SBA FY 1995 budget, and he proposes to dissolve the SBI program:

"We are not seeking funding in the FY 1995 budget for any unauthorized initiatives, nor for the Small Business Institute program or the Tree Planting program."

*Erskine Bowles, February 24, 1994.*

One of the key issues that Congress is considering is to leverage tax dollars to the fullest. The SBI program has been doing this consistently for 23 years, and hundreds of thousands of small businesses have been positively affected by this joint business, education and government initiative. Student consultants, seniors and graduate students in some 500 schools and universities throughout the U.S., being supervised by faculty members, have effectively provided management and technical assistance to a growing and increasingly more competitive small business community.

During 1993, at Florida State University, assistance was provided to 29 small businesses using over 38 student consultants involving 3,475 hours of direct assistance. The total cost of the SBA grant to Florida State University for these 29 consultations was \$14,500.00. This translates into about \$4.17 per hour for each hour of direct assistance. Each of the 29 businesses requested the services of the SBI program, and each indicated

March 11, 1994

Page Two

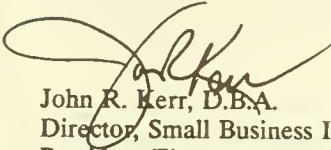
to me that the value of the consultations ranged from \$1,000.00 to slightly over \$10,000.00. To me, this is leveraging tax dollars where it counts the most!

SBA officials are stating that the SBI program is a duplicate service provided by the Small Business Development Center (SBDC) network. I strongly disagree with this argument. I have been an SBDC director, as well as the SBI director for 17 years, and can assure you that there are at least two basic differences between the SBDC and SBI programs. First, the SBDC does not have the capability to provide the in-depth counseling and research that is provided by the SBI program. Second, the students who are involved in the SBI program are obtaining the necessary background and guidance in their consultations to eventually become business owners and managers when they graduate. I know from past experience that many of my former SBI consultants are now business owners.

Mr. Bowles indicated that there would be a cost savings of \$3 million if the SBI program is eliminated. That projected "savings" will be far outweighed by the lost productivity and needed in-depth assistance for 6,000 SBI clients that would be served in FY 1995.

I request that you support the SBI program through continued funding. The positive benefits of business survival, increased employment, and keener competitiveness will be enhanced with a strong SBI program.

Cordially,



John R. Kerr, D.B.A.  
Director, Small Business Institute  
President Elect, Small Business Institute  
Directors' Association





March 15, 1994

Small Business  
Development Center  
College of Business

11000 University  
Parkway  
Pensacola, Florida  
32514-5752

(904)474-2908  
Fax (904)474-2126

The Honorable Dale Bumpers  
United States Senate  
229 Senate Dirksen Office Bldg.  
Constitution & 1st Avenue, S.E.  
Washington, D.C. 20510

Dear Senator Bumpers:

Yesterday a member of your staff kindly took a message for you on my behalf. In brief, the subject is a deep concern that the Administrator of the SBA is reportedly proposing to eliminate the Small Business Institute (SBI) program. I understand that hearings are to be held before the Senate Small Business Committee on Thursday, March 17, 1994.

Of the nearly 500 Universities and Colleges involved in this program, I am probably a somewhat unique Director not having had the privilege of being born a U.S. citizen but having emigrated and established two businesses in the United States (also two in Britain) and am proud to be a citizen. I write, therefore, as one with over 20 years experience as an entrepreneur and latterly as an educator.

The SBI program of using senior and graduate students to work under business school faculty to provide management assistance to small businesses whose owner's have sought help is quite outstanding. (Indeed it represents a model of success which is being copied in other countries, particularly those who are currently struggling to move into the free enterprise system).

In my 15 years as faculty and director of this university's SBI program I have been involved with over 500 small businesses and some thousands of students who have benefitted from the program. Impartial and detailed analysis, done regularly, and as recently as last year, of the benefits of the SBI program shows that it generated \$8.85 federal income tax dollars for every tax dollar spent. (I should, of course, be only too pleased to provide the evidence to support this impartial analysis).

The University of West Florida

An Equal Opportunity/Affirmative Action Institution

Page 2

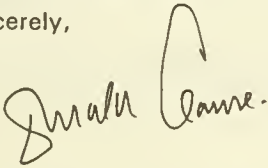
The Honorable Dale Bumpers

March 15, 1994

Any suggestion that the Small Business Development Center (SBDC) program can do the SBI task, in my judgement, is quite erroneous. One of the secrets of the success of the SBI program is that a team of students working to a strict time scale are forced to produce the concentrated intensity of analysis and recommendations needed to assist the business. Furthermore, their work is directed by the most competent faculty in the particular discipline needed - The SBDC's are more generalized and spread thinner in their assistance available.

In brief, to save the \$3.015 million dollars required for this SBI program will be very detrimental to the well being of small businesses and will remove an important educational tool in training the best of our business graduates - we need both.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donald M. Clause". The signature is fluid and cursive, with a large, sweeping initial "D" and "C".

Donald M. Clause, Executive Director  
Small Business Development Center

DMC:ah



3 9999 05705 8511

**AP**  
**AUSTIN PEAY**  
**STATE UNIVERSITY**

Economics, Management and Marketing  
P.O. Box 4426  
Clarksville, Tennessee 37044  
(615) 648-7788  
Fax: (615) 648-5985

March 16, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, DC 20510

Dear Senator Bumpers:

It has been brought to my attention that Mr. Erskine Bowles (February 24, 1994 SBA Fiscal year 1995 budget) recommendations include the total elimination of the \$3 million Small Business Institute (SBI) budget and therefore the "elimination" of the SBI program in general as a "duplicate" SBDC program.

Given the Presidents first annual "State of Small Business" report (February 1, 1994) in which he asked the Congress "...to join me in investing in small business and economic growth through...education and job training efforts", I find it difficult to believe that the SBA would seek funding elimination of one of its most effective and nonduplicative programs (SBI).

The importance and growth of small business in our historic and present economy is documented to represent the majority of new job creation (85%) over the past fifteen years. To abandon the support that SBI programs provide to local small business in the form of senior/graduate business student service/consulting projects (Retail Plans, Promotional Plans, Surveys, Financial Restructuring, Information Systems) would be counterproductive relative to small business support and business student community service. The SBI program is noticeably different and separate from SBDC functions on community service and student involvement issues alone.

For \$3 million, the SBA and Federal government "buy" local student/faculty consulting services to support small business growth and survival. The SBI program is one of the identifiable Federal programs which produces tangible services, products and results. I request most strongly that the budget termination of \$3 million for the SBI program be questioned and reviewed critically relative to value and impact for FY 1995 budget decisions.

Sincerely,

Dr. Steven J. Anderson  
SBI Director



**Wright State  
University**

Department of Management  
Dayton, Ohio 45435  
513/873-2290  
FAX 513/873-3545

March 21, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, DC 20510

Dear Senator Bumpers:

I am writing to you with regard to the Small Business Institute (SBI) program. I understand that Erskine Bowles has recommended dissolving this program. It seems ironic that at a time when we are talking about supporting the growth and development of small businesses and the improvement of our education systems that a program supporting both would be targeted for elimination.

Wright State University currently has an SBI grant supporting six SBI cases for a total dollar amount of \$3,000. While the overall impact is difficult to quantify, I will try to provide some insight as to what that \$3,000 translates in to. With that money, we will actually assist between 14 and 18 small businesses. Over 50 students will be involved with those businesses. A client we worked with last fall has hired 2 employees and increased his advertising based on student recommendations. As a result, his sales have increased over the last three months. The students pointed out he could not grow without help and his financial statements indicated he could support a salesperson and office help. While he needed to advertise, he couldn't afford to do so until he had help to deal with additional customers. A second client had students help develop a plan for a business intended to employ emotionally disabled persons. That business opened this winter and employs 3 disabled persons part time. Over the long term, this business has the potential to help emotionally disabled persons back into the mainstream. Three companies had students develop MIS systems and computer software to improve operations. And, currently, we have students in six companies developing human resource policies and procedures manuals. All of these companies hope to hire between 1 and 4 employees and they wanted everything in place before they did so.

As you can see, that \$3,000 translates into increases in jobs and in sales. But what does it mean from an education perspective? I think I can put it best by quoting one of my student teams: "You could talk yourself blue in the face and we still wouldn't know how to do this stuff. By making us go out and actually do it in a real company, you made us learn it."

The SBI program costs us very little but the return on investment is great. I ask for your support to save the SBI program. In doing that, you will be supporting the basic foundations of our economy, small business and education.

Sincerely,

Jeanette A. Davy, Ph.D., SPHR  
Director, Center for Small Business Assistance



## BRADLEY UNIVERSITY

COLLEGE OF BUSINESS ADMINISTRATION  
DEAN

March 16, 1994

The Honorable Dale Bumpers  
United States Senate  
Washington, DC 20510

Dear Senator Bumpers:

I have just received word that Erskine Bowles plans to discontinue funding for the Small Business Institute at the end of the 1994 fiscal year. We need your help in preventing or reversing that decision.

The Small Business Institute was begun in the early 1970's to provide counseling to existing and potential small business owners by teams of senior and graduate business students. The SBI program is now operative in approximately 500 universities across the nation. In the twenty years since its inception, the Small Business Institute has been one of the most valuable programs that the Small Business Administration has ever done.

The Small Business Institute program is valuable for three specific reasons:

- (1) It provides very objective consulting to small business owners at no cost to them. Those benefitting most are the new and fledgling businesses which simply cannot afford the cost of private consultants.
- (2) It provides a meaningful, hands-on experience for business students. Through the SBI program, they get experience in business problem solving and planning -- an experience that will help them as they join the business world and perhaps start their own business. It also helps our university provide better integrated and practical learning to students. Throughout the twenty years of the Small Business Institute program, I have **never** talked with an alum who could not remember their SBI project. There is virtually no other program, government sponsored or otherwise, that provides as much benefits to our students as the Small Business Institute.
- (3) Most important, the Small Business Institute is a **low cost method of leveraging the Small Business Administration's management assistance services**. Because SBA has funded a few cases per year, Bradley University has been able to stretch the proceeds to provide counseling to a much larger contingent of businesses. In a typical year, Bradley receives payment for 25-30 cases. But because of that funding, we are able to provide in-depth counseling for 60-70 businesses. And this counseling covers six weeks and hundreds of hours -- at no cost to the struggling business owner.

I have often referred to the Small Business Institute program as a government sponsored program where everyone wins. The business owners win because they receive cost-effective counseling when they need it most. Students win because they get hands-on consulting opportunities. Bradley University wins because its educational program is better. And the Small Business Administration wins because they can provide in-depth counseling to thousands of firms at a very low cost.

Please do whatever you can to help us save the Small Business Institute program. It has helped vast numbers of businesses in the past, and it should be allowed to continue that into the future.

Sincerely,

A. Gale Sullenberger  
Dean

PEORIA, ILLINOIS / 61625 / 309-677-2255 / FAX 309-677-3374







